



Daily Report

East Europe

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17 October 1994

NOTICE TO READERS: All material in this volume previously disseminated in electronic form.

The processing indicators appearing in brackets at the start of each item in this publication have been changed. All new indicators begin with "FBIS" to make the material more easily identifiable in databases. Some also indicate whether the item has been translated from the vernacular or transcribed from English.

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Ministry: Citizen Wounded by Greek Police Fire

AU1310111894 Tirana TVSH Television Network in Albanian 1800 GMT 12 Oct 94

[Announcer-read report from the Albanian Public Order Ministry]

[FBIS Translated Text] On 3 October 1994, two Albanian nationals—Maksut Jonuz Ripi, a resident of Duhanas in Berat district, and Esat Berisha from Durrës—were pursued by the Greek police while they were in the center of the village of Khalki in Larisa [Greece] looking for work.

Frightened, the two Albanian citizens ran away, while the police opened several volleys of fire on them. As a result, 24-year old Maksut Jonuz Ripi was wounded in the right leg. Wounded as he was, he was detained by the Greek police and was first taken to the village police station and then to Larisa. He was maltreated there and put under increase pressure to say that he was wounded accidentally by his own hand, and not by the Greek police.

This Albanian national, having received no treatment and with a bullet in his leg, was handed over at the Kapshtice border-crossing point on 11 October.

Arbnori: Constitution Referendum This Year

AU1210143094 Tirana TVSH Television Network in Albanian 1800 GMT 11 Oct 94

[Interview with People's Assembly Presidency Chairman Pjeter Arbnori by Armir Shkurti in Tirana on 11 October—recorded]

[FBIS Translated Text] [Shkurti] Mr. Chairman, the People's Assembly last night decided to present the constitution to the people to approve through a referendum. Is there a deadline by which the popular referendum has to be held?

[Arbnori] The decision that the People's Assembly endorsed last night is based on the Law on Referendums, so the deadline will be set by the president of the republic. I think this date will come very soon.

[Shkurti] Will it be in 1994?

[Arbnori] Definitely. This decision was a very important one, because the People's Assembly decided to delegate to the Albanian people the task of approving the new draft constitution. This is a very important act, as the constitution belongs to all of Albania and not just a party

or two. It is a constitution for Albania and all Albanians, which is why the People's Assembly concluded that such a broad assembly of electors could decide on the constitution issue with maturity.

[Shkurti] Mr. Chairman, will the referendum be observed by international organizations?

[Arbnori] Of course. Just today I presented invitations to the European Parliament, the Council of Europe, the CSCE, and particular parliaments in various countries of the world. I have also called on journalists reporting on Albania [words indistinct] the Council of Europe to come and see for themselves how the referendum will be held.

Inadequate Resources To Aid Victims Of Communism

LD1410210294 Tirana Radio Tirana in English 1900 GMT 14 Oct 94

[FBIS Transcribed Text] In an interpellation session held Thursday in the Albanian parliament, Albanian Prime Minister Aleksander Meksi reported about the work of the government in favor of the politically persecuted by the Communist regime. Mr. Meksi stressed the moral obligation of his government toward the former politically persecuted people was too much greater than the material possibility to realize it.

He reiterated [words indistinct] the National Council is set up as a government organism which aims at giving the political status to all the former political prisoners and persecuted people and in solving both their economic and social problems. In May this year 117,000 people have applied for the status of politically persecuted, whose monetary compensation reaches two billion leks. Further on, he spoke on the work of the Albanian Government for the settlement of their social problems like education, housing, etc. Though 514 apartments are being set up all over the country for their housing, there is much delay by the local power organs for the providing of the necessary funds needed for their completion. In his interpellation, Mr. Meksi spoke about the efforts made for the employment of this group of people and the benefits from the privatization.

Apart from the aid of the government for the integration of the former political prisoners to the economic and social life of the country, contribution has been made by different organisms too. The European Union, he said, has provided for their housing 1.2 million ECUs.

Zhelev Dissolves Assembly, Calls Elections*AU1710113194 Sofia Khorizont Radio Network in Bulgarian 1006 GMT 17 Oct 94*

[Speech by President Zhelyu Zhelev at the National Assembly in Sofia—live]

[FBIS Translated Text] [Zhelev] Decree No. 209: On the basis of Article 99, Paragraph 3 of the Constitution of the Republic of Bulgaria I order as follows:

First, I dissolve the 36th National Assembly. [applause]

Second, I call elections for a National Assembly on 18 December 1994. [loud applause]

The decree is issued in Sofia on 17 October 1994 and is sealed with the State Seal. [stirring in hall]

[News announcer interrupts relay] Dear listeners, we are carrying a direct relay of the concluding session of the 36th National Assembly. At the moment President Zhelyu Zhelev is speaking.

[Zhelev] ...36th ordinary National Assembly. After a third mandate was granted to form a government and parliament failed to elect a parliamentary government, as required under the Constitution of the Republic of Bulgaria, I issued Decree No. 210 appointing a caretaker government and a second decree, No. 209, to dissolve parliament and call parliamentary elections on 18 December. By these decrees, the 36th ordinary National Assembly ceases to exist.

The 36th ordinary National Assembly goes into history with its good and, perhaps, not-so-good things it has achieved, with its deeds and omissions. It is not I who will allow himself to make an assessment of this National Assembly's work or its role and place in history. To do this, one needs the distance of time. This is why such a comprehensive and objective assessment will remain the sole prerogative of future historians. However, I am sure that even now many politicians, political experts, sociologists, journalists, and publicists will attempt on the basis of still warm political information to draw conclusions of different kinds and make generalizations that may prove useful for the work of the next parliament.

For me, as the representative of the other institution of state that was brought into being in the same way as parliament, namely by the direct vote of the people, it is important for us to establish a democratic and civilized practice that, God willing, will one day be imposed as a tradition. In cases when, either prematurely or on the expiry of its regular term of office, any of our institutions ends its activities, let us part from one another like civilized and sensible people, as true European politicians. [applause]

Let us learn in general to respect the institutions, irrespective of which individuals hold the relevant posts. Individuals are periodically replaced and disappear, but the institutions remain. This is one of the characteristic

features of democracy. On the other hand, human rights and freedoms, which have always been and will remain the end goal of democracy, become an empty wish as long as they are not enshrined in just laws and defended by strong state institutions. Accordingly, freedom is won at rallies and demonstrations in the streets and squares, sometimes even on the barricades—let us remember Delacroix' picture "On the barricades," whereas democracy is adopted in parliament, through laws, and is renewed through parliamentary elections, even when they have to be held early. [applause]

As we part, I would like to wish all the deputies of the 36th ordinary National Assembly personal happiness and success in life, while to those of you who in the coming days will throw yourselves into the political hustings for a new parliament, I wish success in the elections. [applause]

BSP Issues Resolution on Election Strategy*AU1410142694 Sofia DUMA in Bulgarian 11 Oct 94 p 8*

["Decision of Supreme Council and National Assembly Deputies of the BSP dated 9 October 1994"]

[FBIS Translated Text] After hearing the report "On Political Partnership and the Coalition Policy of the BSP [Bulgarian Socialist Party]" and discussing the report in detail, the BSP Supreme Council and Socialist deputies have resolved as follows:

1. They approve of the work carried out by the Executive Bureau and leadership of the PSSD [Parliamentary Union for Social Democracy] on establishing contacts with a wide range of political organizations and investigating partnership relations with parties with similar ideologies or programs.

2. They confirm that the BSP's coalition policy has the following goals:

—to make significant changes in the manner in which the transition is implemented in Bulgaria with the aim of guaranteeing democracy, individual and national security, and the social acceptability of the economic reforms leading to a controlled market economy;

—to avert the possible formation of a repressive administration of the extreme right that aims to restore the conditions of the past;

—to ensure that the BSP wins the early parliamentary elections and that the forces that adhere to the principles of national consensus obtain a majority of seats in the National Assembly; and,

—after the elections, to create a sound social and political foundation for forming a national coalition government in which the BSP will participate.

3. They instruct the Executive Bureau to continue negotiations on forming a left-of-center election campaign coalition, while adhering to the party's draft program and election platform.

4. During the negotiations, the possibility should be discussed of the BSP cooperating with one or more independent election campaign coalitions with a view to forming a broad coalition to govern the country after the elections.

5. They instruct the Executive Bureau to respond positively to the proposals from organizations with a sense of national responsibility to cooperate in the election campaign and subsequently. These negotiations should be conducted with left-of-center alliances that have already been formed.

6. In the elections the BSP is ready to include independent authoritative individuals in its lists of election candidates, as well as representatives of nonpolitical public organizations.

7. They instruct the Executive Bureau and the PSSD leadership to evaluate the results of the work of the existing BSP coalition has carried out to date, taking into account the overall positive effect of its operations and having regard for the political aims of the prospective BSP election campaign alliance during the term of the next parliament.

8. They recommend that the municipal BSP councils take note of the present decision when effecting political cooperation at the local level.

Ananieva Assesses Mood of BSP Assembly Group
AU1410200494 Sofia DUMA in Bulgarian 8 Oct 94 pp 1, 2

[Interview with Nora Ananieva, Socialist National Assembly deputy and leader of the Parliamentary Union for Social Democracy, by Dora Chichkova; place and date not given: "We Do Not Envision Any 'Red Dropouts or Expellees'"]

[FBIS Translated Excerpt] [Chichkova] Recently, the 36th National Assembly seems to have been under stress, so to say. Tension reigns in the debating chamber and the lobbies. To what extent does it also affect the BSP [Bulgarian Socialist Party] deputies?

[Ananieva] The parliament is indeed in a peculiar state, which is of interest for the psychologists. It inevitably affects our deputies as well. They feel a certain nervousness and tension. However, at the same time, they also feel the desire to overcome their inner feelings of anxiety at the uncertain future facing them. It may appear that the group is disintegrating, but, despite all the nervous tension, the BSP deputies are managing to discipline

themselves so that we can do our jobs properly during the final days. Participation in the group's work is almost 100 percent.

[Chichkova] Can you define the fears and the psychological state in some way?

[Ananieva] It is not so much a matter of fear as of inevitable change. After all, for three years they have had a certain style of life, a rhythm, an atmosphere, a way of earning themselves a living.... [passage omitted]

[Chichkova] Are there any BSP deputies who have good reason to fear losing their parliamentary immunity?

[Ananieva] I do not believe that this matter concerns any of our deputies. It is more likely that "political justice" may try to discover motives relating to so-called "crimes." [passage omitted]

[Chichkova] There is a danger that the elections may not be recognized, if indeed they are held at all. Yet for three weeks now, parliament, and this includes the BSP, has been vacillating, first seizing upon the Constitution, then the Electoral Law, then the budget, but without any prospect of effecting changes in any of them. What is the reason for this situation of parliament blocking its own activity?

[Ananieva] Some claim that it is a scenario that we have not entered. In my opinion, however, everyone has been talking about elections for a very long time, without meaning it seriously. Accordingly, some people were very surprised when the BSP took practical steps. Now, in the last few days, one can see the end approaching, although I am not too sure that it will actually come. For this reason, we have not mobilized our forces sufficiently. We had the time to draft a fine electoral law, but frittered it away. Nevertheless, we can still amend the existing electoral law. [passage omitted]

[Chichkova] What will happen if any deputy in the BSP group nevertheless votes for the Ludzhev cabinet? Will we then see some "Red dropouts or expellees"?

[Ananieva] We do not countenance this idea, we reject it as a style of working and I hope we will never descend to this level. Most people acknowledge that we need different policies, a different style, a different form of government. Our deputies are striving as hard as they can to resolve problems—both national ones and those affecting their constituents. I would say that they have exerted themselves greatly; they manage to do one thing, but cannot do 10, and we, as a party, bear all these burdens. These clashes, this feeling of helplessness, causes them to want new elections. I have spoken to some people who consider that we have stepped on the gas pedal too hard, so to say, but they too have become quite disillusioned by all these fruitless efforts in a situation in which we bear the responsibility but cannot bring any influence to bear. Accordingly, the group as a whole wants to change the situation by means of new

elections. If there are any dissenting votes, this will not be fatal.

Russian Envoy Offers Help With Nuclear Plant

*AU1410150494 Sofia 24 CHASA in Bulgarian
11 Oct 94 p 4*

[24 CHASA staff report: "Moscow Will Complete Construction of Belene Nuclear Power Plant"]

[FBIS Translated Excerpt] During a visit last week to the site of the uncompleted nuclear power plant at Belene, Russian Ambassador Aleksandr Avdeyev is reported to have promised Power Supply Committee Chairman Nikita Shervashidze that Russia would complete the

construction of the Belene plant. Experts from the committee reported this yesterday. According to them, the promise would be embodied as a clause in the nuclear agreement with Moscow.

The National Electricity Company [NEC] explained that U.S.\$1 billion had been invested in the Belene plant between 1981 and 1990. NEC chief Dyanko Dobrev thought it a wicked shame to waste such a vast amount of money. According to the company's experts, the Belene nuclear power plant can provide an additional 2,000 megawatts of generating capacity by the year 2,000. This additional capacity will be needed when the other power plants are shut down for maintenance or closed down altogether.

However, Ecoglasnost claims that the plant is being built in an earthquake-prone zone. [passage omitted]

Prime Minister Rejects Division of Europe

AU1410142494 Hamburg DIE WOCHE in German 14
Oct 94 p 32

[Article by Czech Prime Minister Vaclav Klaus: "Now It Is Your Turn!"]

[FBIS Translated Text] When we talk about Europe in 1994, we should refuse to choose the pessimistic headlines in the media as a starting point. We should try to make an unprejudiced, objective analysis, proceed to naming the real problems, and hope for reasonable solutions. Therefore, away with the rose-colored spectacles: Let us take up pen as recklessly and as analytically as possible.

Only five years ago, the countries of Central and East Europe started their "velvet revolutions." Communism writhed in the convulsions of unexpected disintegration, the Iron Curtain broke down, the Council for Mutual Economic Assistance and the Warsaw Pact went down. Thanks to these great events, Europe as a whole has become more liberal, more democratic, more open, more closely united, less ideological, and more pragmatic than ever.

Today the countries of Central and East Europe clearly differ from each other by the way in which they succeeded in founding free societies and market economies. However, all in all, their progress has been surprisingly quick. To claim something else would mean to underestimate the legacy of communism, which was so oppressive and so incapable as a system of government that no country that suffered from it was able to hope for a normally functioning society without a painful change. Such a change takes years; it cannot be achieved overnight with shock therapy. It seems to me that this transition has undeniably been achieved. The people of the postcommunist countries are proving that they are not less "European" than their neighbors who had the good fortune of being spared by communism.

The countries achieved this by themselves. The rest of the world was able or willing to contribute only little to the help for them. The exception is the former German Democratic Republic, but the only country that is getting considerable help from the outside has probably the greatest difficulties with transition.

The Central and East European stories of success are faced with at least one disastrous failure: Yugoslavia. However, Yugoslavia's disintegration was not part of the process of the "velvet revolution": One should understand it as a unique event. It would be a similar mistake to demonize Russia and to disregard the country's internal stabilization instincts and its ability to "scrape through."

Now it is of prime importance to make progress in the process of self-transformation. The reform politician must be able to draft the clear vision of a future that is both attractive and attainable. He has to explain this

vision to the citizens and defend it against populists of all colors. He must have a consistent strategy and, if necessary, push through painful measures, too.

The people who are affected by such changes are not passive objects but human beings with preferences and priorities of their own. One has to give them a fair chance regarding politics and the economy. Privatization, deregulation, and liberalization, with an adequate extent of macroeconomic stability being maintained, is the main objective. Most postcommunist countries of Europe already have a first series of reforms behind them. Unfortunately, some carried it only out in fragments and failed to implement the critical number of reforms that is required to achieve tangible results. In these countries, the original euphoria has disappeared; in some others, there is a high degree of political instability. This is a real problem of Central and East Europe—and therefore also a Pan-European problem. Nevertheless, the solution cannot be imported. It has to be tackled at and from the roots.

Reform is not a task of East Europe alone. The West European countries are confronted with challenges of their own. The previous experiences lead one to assume that West Europe is not the best model for a balance of freedom and regulation. The system that is predominant there is too much burdened by excessive regulation and control. With its generous payments, the welfare state undermines the fundamental work ethics and thus individual responsibility. There is too much protectionism. One has to record that Thatcher's (or the anti-Keynesian or liberal) revolution in West Europe has gotten stuck halfway. An extravagant and socially explosive unemployment rate accompanies the failed reform in West Europe. The most important cause is not excessive labor supply or a lack of demand or immigration or a lack of technological progress or cheap labor in East Europe. The most likely explanation is probably excessive wages, as compared to labor productivity. In short, the Europeans have to harmonize their wages again with their performance; if not, some will lose their jobs forever.

Further proof of the need for reform is that several European countries increased their budget deficit up to the limit of reasonableness. Budget deficits are a product of the structure of the European welfare state and not an accidental fiscal blunder. They reflect the misguided emphasis on redistributive (instead of productive) processes because they are preferred by many European politicians (and voters). None of these problems will be solved by shifting them to the level of supranational European unity. We cannot escape the responsibility of solving our problems in our own country, where they also developed.

"Integration" means the elimination of borders for people, ideas, goods, services, labor, and capital. This does not imply that the Europeans have to be newly created as a new species of the "homo europeus." I am a Euro-optimist if the likelihood to achieve European

integration and to reap its advantages is at issue. I am a Euro-realist regarding the likelihood of and the need for a Europe that is unified under one ideological banner. To me, it seems to be most important that, against the resistance of bureaucrats and lobbyists, the borders between the countries will fall. I cannot find a reason that would speak against it. However, the institutions should also resist the temptation to favor Europe's division into two parts, a happier and a less happy one. Rather, they should create a shield for all democratic Europeans who want to belong actively to a diverse, peaceful, and efficient continent.

Klaus: 1994 Inflation Target May Not Be Met

AU1510154794 Prague MLADA FRONTA DNES in Czech 13 Oct 94 p 14

[Article by "ha, zv": "The Prime Minister Is Not Pleased by September Inflation"]

[FBIS Translated Text] Prague—Prime Minister Vaclav Klaus does not consider the September growth of consumer prices, by means of which the rate of inflation is measured, alarming. "Of course, I am not pleased by the development," he said yesterday.

The monthly rate of inflation reached 1.8 percent in September, chiefly as a result of increases in meat and potato prices, which rose up to 20 percent. Compared with September 1993, consumer prices have already gone up 10.5 percent. According to government forecasts, however, the annual rate of inflation should stay under 10 percent.

"When the government says that the annual inflation rate should be up to 10 percent, I must say, as someone who has for years been devoting himself to mathematical statistics, that 9.9 percent or 10.1 percent are virtually identical results," Vaclav Klaus said. He conceded, however, that they are not the same politically.

According to the prime minister, the September leap is not a phenomenon that could be described as a change of the trend. The price increases in one group of products, particularly meat and potatoes, have their specific causes and certainly do not result from the disruption of basic relations between overall demand and supply, he said.

Like the prime minister, Agriculture Minister Josef Lux does not think food prices could substantially influence the overall development of prices and could be the cause of great inflation growth. "The relatively low prices thus far have been to the detriment of farmers, who cannot produce at a loss ad infinitum," Lux said.

Jan-Sep Budget Surplus Reaches Kc14.3 Billion

AU1410145094 Prague LIDOVE NOVINY (KORUNA supplement) in Czech 13 Oct 94 p 1

[Article by "jp": "Budget Ended in Huge Surplus in September"]

[FBIS Translated Text] Prague—The management of state finances, including the clearing account with Slovakia, ended with a surplus of 25.6 billion korunas [Kc] as of 30 September, Eduard Janota, director of the Finance Ministry's State Budget Department, told LIDOVE NOVINY yesterday.

According to Janota, the unusually high budget surplus has been caused mainly by the Slovak surplus on the clearing account, which amounts to Kc11.3 billion, and by the lower-than-projected drawing of expenditure, particularly by budget-funded and subsidized organizations.

Budget revenues reached Kc283.5 billion by 30 September, which is 74.3 percent of the planned annual volume. Director Janota said that the Finance Ministry expects the projected volume of expenditure to be reached by the end of the year. A shortfall of about Kc11 billion in income from the value-added tax [VAT] will, according to him, be offset mainly by higher-than-projected income from insurance premiums.

A total of Kc59.1 billion in VAT (62.5 percent of the annual target) and Kc32.8 billion in consumer taxes (78 percent of the planned annual volume) had been collected by the end of September. A total of Kc49.2 billion had been collected from the corporate income tax, which is only 67.5 percent of the annual target and, hence, less than the aliquot portion for nine months. Income from customs duties and insurance premiums, on the other hand, has been fulfilled to the tune of 77 percent.

State budget expenditure had reached Kc269.2 billion by the end of the third quarter, which is 70.5 percent of the annual plan. A total of Kc89.9 billion has been spent on social security (73.2 percent of the annual target). According to Eduard Janota, this item of expenditure will rise in the closing months of the year by Kc1.2 billion, compared with the budgeted sum, as a result of the increase in child allowances and pensions.

Budget-funded and subsidized organizations have so far drawn only 65.4 percent of the annual sum earmarked for noninvestment expenditure. The amount paid out in state compensatory allowances roughly corresponds to the aliquot portion for the whole year.

[Prague HOSPODARSKE NOVINY in Czech on 12 October on page 2 carries a 600-word report by Pavel Richter on the development of the state budget in the first three quarters of the year, which specifies that the net budget surplus, excluding the clearing account with Slovakia, amounted at the end of September to Kc14.3 billion.]

Transfer of Budget Savings to Next Budget Advised

AU1410130594 Prague HOSPODARSKE NOVINY in Czech 5 Oct 94 p 3

[Article by Pavel Richter: "The Budget Has 3 Billion Worth of Reserves"]

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[FBIS Translated Text] According to the Finance Ministry estimate, the savings on this year's state budget lie somewhere between 2.6 billion and 2.9 billion korunas [Kc]. That is indicated by the data included in the 1995 draft budget. Because of a much "tighter" budget for next year, this amount will serve, according to Finance Minister Ivan Kocarnik, to make up to a certain degree the planned finances of the individual sectors.

Some of the funds, approximately Kc1.6 billion in volume, originated in this year's budget reserves. As early as at today's session, the government should approve the transfer to speed up the construction of unfinished facilities and implement information systems, which concerns mostly the Finance Ministry, with the largest share (Kc365 million). The Ministries of Justice, Agriculture, Transport, Interior, Culture, and Education should also obtain funds to complete their investments still in 1994.

The Finance Ministry expects actual savings on the order of Kc1 to 1.3 billion as a result of the measures facilitating the transfer of substantive expenditures of the individual sectors not drawn this year to the next year. The proposal, which should be regulated by the Law on the 1995 State Budget, considers all unspent noninvestment funds, with the exception of wage costs and expenses, to be justified saving of substantive expenditures if they were not used because the given task of the sector or organization was aborted. According to the Finance Ministry analyses, in the 1994 budgets, the sectors have at their disposal for this step the scope of approximately a 2-3 percent limit of these substantive expenditures. Because of concern over the possibility of transfers of large amounts, which would result from previous exaggeration of budget expenditure accounts, the Finance Ministry proposes that the possibility of transfers to the next year amounts only up to 5 percent of the annual limit on substantive expenditures. According to Ivan Kocarnik, it is a measure to be tested only this year. In principle, the minister said, this is not a suitable tool for budget operation.

Costs, Prospects of New L-159 Fighter Jet

AU1410200594 Prague HOSPODARSKE NOVINY in Czech 13 Oct 94 p 2

[Article by "tk": "Production of the L-159 Will Not Become Profitable Until After the Year 2000"]

[FBIS Translated Text] Prague—The approval of the development program for the L-159 aircraft will be one of the first decisions to be made by the new Aero Vodochody a.s. board of directors, which is to be appointed at today's annual meeting of the company's shareholders. After several postponements, a decision was also made about the date of the annual meeting of shareholders of Aero Holding, which will be 15 November.

As Aero Vodochody Director Zdenek Chalupnik, who participated in Prime Minister Klaus's trip to Southeast Asia, told HOSPODARSKE NOVINY yesterday, Aero Vodochody seeks to win an order worth some \$100 million for the Indonesian Air Force. A total of 18 L-29 Delfin [Dolphin] training jets are already flying in Indonesia.

Zdenek Chalupnik stated that the development of the L-159, which is to be used by the Czech Air Force, is subject to approval by the Aero Vodochody shareholders and board. The company must find funds for the development of the aircraft, which will cost \$62 million, and secure investments and working capital. The army is to participate in the development "with a certain sum" only. "The order from the Army is extremely important for launching the project, but Aero Vodochody must raise an enormous amount of money. We will incur large losses until the year 2001. These losses will reach up to 18-20 billion [currency not specified], which is normal for every new production program. Only after the year 2001 will production start reaping a profit," Chalupnik said. The Czech Air Force will purchase 72 L-159's, but production will start paying off only when 230 aircraft are sold.

Daily Publishes Republic's Defense Doctrine

AU1410121894 Bratislava SLOVENSKA REPUBLIKA
in Slovak 11 Oct 94 p 10

["Defense Doctrine of the Slovak Republic," approved by the National Council of the Slovak Republic on 30 June 1994]

[FBIS Translated Text]

I.

Our country is located in the geopolitical region of Central Europe, which is of fundamental significance for the creation of a new European security system.

The Slovak Republic does not consider any state to be its enemy, and it does not feel threatened by anyone. It has no territorial claims against other states, and it respects their state sovereignty and political independence. It wants to contribute to security in the region, on the continent, and in broader global dimensions. It is also in this spirit that it publishes its own Defense Doctrine.

The Defense Doctrine of the Slovak Republic proceeds from the criteria for national security. It expresses the basic conditions, objectives, and principles of the Slovak Republic's defense and security policy. It represents a politico-security document intended for the period of its participation in the Partnership for Peace program. It is also an expression of the increasing openness in the military sphere. The Slovak Republic considers political reliance and military intelligibility to be essential prerequisites for long-term and comprehensive cooperation.

The Defense Doctrine, however, envisages that the creation of a new European security system, of which the Slovak Republic also wants to be a part, will be a longer-term concern.

II.

The Slovak Republic's fundamental national security interest consists of the commitment to its existence and development as a free, sovereign, and democratic state. In realizing this interest, the Slovak Republic is prepared to defend its freedom, independence, and sovereignty and to maintain its territorial integrity and the inviolability of its state borders by utilizing all of its political, diplomatic, military-economic, scientific-technical, and intellectual forces and resources.

The security setting in which the Slovak Republic found itself after its foundation is characterized by the repercussions from the collapse of the former security system based on bipolar bloc confrontation in Europe. The absence of direct and effective security guarantees influences the political, economic, and social stability of individual countries. Historical experiences indicate that unequivocal security guarantees are necessary for the stability of the Central European region.

At present, the security of states has a multilateral quality. In addition to foreign and defense policy, which constitute its basic framework, it includes economic, social, geographic, demographic, and ecological aspects.

The security of the Slovak Republic must be guaranteed as part of the process of its integration into the European political, economic, and security structures. The Slovak Republic considers NATO to be the most effectively functioning and vital security structure in Europe, a structure that also has a transatlantic dimension.

The fundamental orientation of the Slovak Republic's security policy is toward obtaining full NATO membership. The endeavor for admission into NATO not only pursues a political and military objective, but also confirms that the Slovak Republic accepts the system of values that the Alliance enforces and protects. The starting point for obtaining membership in NATO is the Slovak Republic's active participation in the Partnership for Peace program and the North Atlantic Cooperation Council. We perceive the Partnership for Peace program as a step toward the further strengthening of ties between the NATO member countries and their partners in Central and East Europe, a step that will lead to our full membership in NATO. The Slovak Republic cannot be secure without the security of its neighbors. Our quest for admission into NATO is not oriented against any of the countries in Central and East Europe.

The Slovak Republic supports the strengthening of Europe's defense and security identity in harmony with the ongoing and intensifying European integration process. Our attempt to become integrated into the European Union, which is expressed by our signing of the European Agreement on Association, will thus also assume a security perspective. Therefore, the Slovak Republic is interested in obtaining membership in the Western European Union, which we see as an integral part of the European Union.

We also recognize the importance of the further development of the CSCE process, especially in the sphere of utilizing mechanisms for preventing conflicts and eliminating tension between states. We also envisage active participation by Slovak Army units in UN and CSCE peacekeeping missions.

III.

The danger of a widespread war on our continent has been reduced significantly, and the outbreak of such a war is not very likely at the moment. The threat of military conflicts of varying intensity has not diminished, however. There exists political, economic, and social instability, actuated by various issues, that increases the likelihood of new, so far unidentified and unanticipated, disputes and conflicts.

In this situation, the Slovak Republic cannot give up its right to prepare the state for defense. Apart from defending its independence, sovereignty, territorial

integrity, and the inviolability of its borders, the Slovak Republic has no other reasons for using its Army.

In its efforts to support these aforementioned objectives, the Slovak Republic will proceed mainly from the following principles:

1. The Slovak Republic's sovereignty in deciding on the state's preparations for defense and in providing for its defense;
2. Thorough adherence to the principles and norms of international law;
3. The provisions for the general civil defense of the Republic;
4. The creation and maintenance of armed forces based on adequate defense sufficiency and rational deterrent;
5. Adjusting defense needs to the state's economic, political, social, demographic, scientific-technical, and intellectual potential.

The Slovak Republic will implement the principle of sovereignty in deciding on the state's preparations for defense and providing for its defense in harmony with the right to self-defense and the right to collective defense in accordance with the UN Charter. The Slovak Republic is restricted in its independence only by international law, voluntarily accepted commitments, and the sovereignty of other states. It acknowledges their equal right to be involved in deciding on issues concerning their national security.

In adhering to the principles and norms of international law, the Slovak Republic will enforce, first and foremost, the following norms and principles: refraining from making threats to use force or from using force; the obligation of states to settle international disputes by peaceful means so that, in harmony with the principles of security, justice, and international law, international peace is not endangered; noninterference in the affairs of another state; the sovereign equality of states; the equal right of nations to self-determination; the obligation of states to cooperate with each other; and thorough adherence to the commitments it has undertaken.

The Slovak Republic renounces war as a means of resolving disputes and endorses their resolution in an exclusively nonviolent way. It will not initiate an armed conflict with another state. It has no reason for such an act. It does not own and does not manufacture nuclear or other weapons of mass destruction and will not strive to own them. It will not permit the deployment or the stockpiling of these weapons on its sovereign territory.

The Slovak Republic rejects the propaganda of war and armed force, terrorism, chauvinism, fascism, racial and class hatred, and ethnic and religious intolerance.

The defense of the Slovak Republic proceeds from the harmony of its citizens' rights and obligations, which the Slovak Republic Constitution guarantees them. This is a

matter for the honor of each citizen. According to the law, citizens are required to report for conscription duty, but they also have the right to take part in the defense of the Slovak Republic.

The Slovak Republic is also trying to avert war by the optimum composition and preparation of its armed forces and the resources intended for defense. In the event of an armed offensive, it is resolved to repel the attack and restore the situation before the commencement of the foreign aggression. The main role of deterrence is to achieve a situation whereby the risks engendered by aggression unequivocally outweigh any conceivable advantages a potential aggressor would gain by this aggression. The defense of the Republic begins on its internationally recognized borders, which are also confirmed by the Slovak Republic's full succession as a successor state after 1 January 1993—and provisions are made for it throughout its territory. The Slovak Republic will adhere precisely to the limits set by the international agreements on the number of personnel and main types of weapons in armed forces. It will also try to make commensurate reductions in the number of personnel and the amount of equipment.

The Slovak Republic's defense needs will be harmonized with the state's economic, political, social, demographic, scientific-technical, and intellectual potential, which fundamentally influence its defensive capability.

IV.

The Slovak Republic is forming its own armed forces to defend the sovereignty of the state, its territorial integrity, and its democratic system. Their supreme commander is the president of the Slovak Republic. Armed components from the Interior Ministry and other public armed and defensive components take part, in collaboration with the Slovak Army, in fulfilling the tasks of Slovakia's defense.

The Slovak Army is the fundamental element of the armed forces and an important guarantor of the state's sovereignty and integrity. Its main task is, on the basis of its own readiness, to ward off danger to the state's sovereignty by the timely adoption of the necessary defensive measures on its territory. In the event of an offensive, its task is to repel an aggressor's air and ground assault. Forces that have penetrated the state's territory are to be removed by the active engagement of the regular or mobilizationally deployed forces, with the objective of restoring territorial integrity and preserving the state's sovereignty. At the same time, it is necessary to make political and military use of the support from other states and international organizations. It is necessary to make provisions for the defense and protection of the population and of facilities vital for the functioning of the state, as well as for the elimination of the consequences of the exceptional situation, in close cooperation with the civil defense and the state administration and self-administration territorial bodies.

A transformation process is under way in the Slovak Army, the aim of which is to create a relatively small, modern, and well trained and equipped army generally comparable with the standard of the armies in advanced democratic states.

The Slovak Army comprises ground forces, an air force, and an air defense force [PVO]. The ground forces are made up of field troops, rapid deployment forces, and territorial defense troops. The air force and the PVO comprise air bases; fighter, transport, and helicopter units; and air defense units.

Conditions will be created gradually for increasing the level of the Slovak Army's professionalization. Emphasis will be placed on the detachments and units intended for deployment within the framework of the missions undertaken by international peacekeeping forces.

The preparation and training of Slovak Army soldiers is implemented in harmony with the Slovak Republic Constitution by respecting basic civilian and military regulations, in a spirit of patriotism and personal responsibility, and on the principle of the direct and indelible authority and responsibility of the commanders.

One of the pillars of the Slovak Republic's security is also the impartiality and domestic political neutrality of the armed forces. Therefore, democratic civilian control, which makes use of the mechanisms of parliamentary democracy and guarantees the Army's detachment from partial political interests, is exercised over them.

V.

A system of economic mobilization as well as the generation and utilization of the Slovak Republic's state material reserves is employed for the comprehensive defense of the state, for its ability to function in war, and to provide for the armed forces. Civilian defense measures are implemented, and the operational preparation of the state's territory is carried out.

Important issues concerning the state's defense policy and the method of realizing them are published in the policy statements of the Slovak Republic Government.

State bodies, coordinated by the State Defense Council, also devise and implement the Defense Doctrine of the Slovak Republic.

The National Council of the Slovak Republic provides supervision of the implementation of the Defense Doctrine of the Slovak Republic within the armed forces by means of its legislation and budget, and by supervising executive power in harmony with the Constitution of the Slovak Republic.

Danish Foreign Minister on Relations With SR

LD1410175894 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 1100 GMT 14 Oct 94

[FBIS Translated Excerpt] Her Royal Highness Margrethe II, the Danish queen, and His Excellency Prince

Henrik, her husband, are continuing their visit to the Slovak Republic [SR]. [passage omitted] The Danish royal couple are accompanied by Danish Foreign Minister Niels Helveg Petersen. More from Agata Stanekova:

[Stanekova] [Passage omitted] The Danish and Slovak foreign ministers will meet this afternoon. We asked Niels Helveg Petersen what the most important topic of discussion will be.

[Begin Petersen recording in Danish, with superimposed Slovak translation] Many important subjects will be discussed. [passage omitted] I want to emphasize during my meeting with Foreign Affairs Minister Eduard Kukan that Denmark really supports the process of integration. Equally, we favor a speedy entry of these countries into Western markets. This cannot wait until 1996. Another field of our talks concerns bilateral relations. There are currently no problems between Slovakia and Denmark, but there are many more opportunities to develop economic and trade cooperation. In particular, we will talk about how to increase economic cooperation between Slovakia and Denmark. [end recording]

Coalition Expresses Concern Over HZDS Tactics

AU1510154494 Bratislava SME in Slovak 13 Oct 94 p 1

[Article by "(bog, jo)": "The Current Coalition on the Risks Involved in the First Session of Parliament"]

[FBIS Translated Text] Bratislava—Preparations for the first meeting of the newly elected National Council of the Slovak Republic [NR SR] were, according to Prime Minister J. Moravcik, the topic of yesterday's talks involving the parties in the current governing coalition. According to Moravcik, representatives of the Christian Democratic Movement [KDH], the Democratic Union [DU], the Party of the Democratic Left, and the Hungarian Coalition agreed to push for the principle of proportional representation in NR SR bodies.

They also discussed the objection raised by V. Meciar, chairman of the Movement for a Democratic Slovakia [HZDS], at a meeting on 11 October with NR SR Chairman I. Gasparovic. According to Moravcik, Meciar said that he intends to propose that the deputies elected on behalf of DU do not execute their mandates until the Constitutional Court makes its decision.

"This would, in fact, alter the situation in parliament, and the election results would not be respected because, in such a case, in which there are 135 deputies, the HZDS, along with the Slovak National Party, would have a majority, which is at variance with the election results," said Moravcik. He emphasized that the parties participating in the meeting consider this to be "an erroneous notion, manipulation, and, in a certain way, cheating the voters." According to him, the parties are preparing legal analyses and, on the basis of them, will decide which steps to take next.

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"There is also another risk in that, at the first NR SR session, those members of the current government who were elected as deputies will not be able to vote because their mandates are suspended (not implemented—editor's note) in accordance with the Constitution. So, in this way, the overall number of deputies will then be reduced by 14, to 136, and a similar situation will arise again. It is necessary to examine all of these issues and put forward solutions so that the NR SR session and the NR SR's composition at its first meeting correspond to the election results," added the prime minister.

KDH Chairman J. Carnogursky replied to a question on to what extent a potential broad coalition without DU, in view of the HZDS's statement that it will not enter into a coalition with DU, would be acceptable to the other current coalition partners. He said that they only dealt with this issue marginally yesterday, but, "as far as the considerations about a possible future coalition are concerned, none of the participating parties would want to be in it merely for show, in order to improve the international political appearance of the future Slovak Government."

"The KDH will not enter into a coalition in which there is not a broader combination of parties, and we consider it to be extremely necessary and justified that DU is also then represented in such a coalition," added Jan Carnogursky.

HZDS Tactics Likened to Nazis' in 1933

AU1510193394 Bratislava SME in Slovak 13 Oct 94 p 3

[Article by "(dos)": "The Movement for a Democratic Slovakia Is Proposing a Course of Action Identical to That Adopted by the National Socialist Workers' Party of Germany in 1933"]

[FBIS Translated Text] Bratislava—At a press briefing held yesterday, National Democratic Party (NDS) Deputy Anton Hrnko expressed his indignation at the attempts of the Movement for a Democratic Slovakia [HZDS] to cast doubts on the participation of Democratic Union [DU] deputies in the new parliament. He described the course of action proposed by the HZDS as identical to that adopted by the National Socialist Workers' Party of Germany in 1933 when, after the election, in the interest of gaining a majority in parliament, it expelled deputies elected on behalf of the Communist Party of Germany. NDS Chairman Ludovit Cernak said in connection with this that the NDS is prepared to appeal to all of the parliamentary parties not to take part in parliament sessions if doubt is cast on DU's participation. A. Hrnko intends to propose that the NDS submit a complaint to the Constitutional Court in connection with the violation of the Election Law by HZDS Chairman V. Meciar when he made an appearance on television on the first day of the election, and for the HZDS election results to be annulled. Privatization Minister M. Janicina spoke of a letter from Economy Minister P. Magvasi according to which there are a

number of enterprises in which it is necessary to maintain the state's majority interest. According to Janicina, in this letter, Minister Magvasi refers to a 1961 law that, among other things, mentions "the planned management of the national economy," "building an advanced socialist society under the leadership of the KSC [Communist Party of Czechoslovakia]" and "amassing forces for the transfer to communism." However, according to Janicina, this law is not in harmony with the Slovak Constitution.

Commentary Views 'Neofascist' Groups in Republic

AU1610151294 Bratislava NARODNA OBRODA in Slovak 8 Oct 94 p 7

[Commentary by Branislav Janik: "Swastika Attracts Young Czechs"]

[FBIS Translated Text] Not only the number of neofascist sympathizers, but also that of active neofascists is growing, and they are mostly young people between the ages of 14 and 25, Stanislav Penc and actress Milena Dvorska, representatives of the Movement for Civic Solidarity and Tolerance, claim. It is confirmed further by Major Ladislav Plechaty, head of the department of the Prague police that deals with extremist groups. There are 15 fascist or racially oriented organizations active in the Czech Republic, and 10 or 12 periodicals of such an orientation are distributed there, mostly in samizdat form.

While the number of active neofascists totaled approximately 3,000 two years ago, almost 4,000 are registered now. However, Maj. Plechaty estimates the number of sympathizers at as many as 15,000. They profess allegiance to the National Fascist Guild, the National Socialist Movement of Europe, Naziskins, Total Neofaschos, Calixtines, the Patriotic Front, the Patriotic League, and other organizations. According to Plechaty, the most dangerous among them is apparently the group around the Total Neofaschos. Its membership is estimated at 300-500, and it has connections with the German extremist group Skins-Faschos. The program of these young people under 20 is, above all, the return to the Reich tradition, the recognition of the only immortal leader, Adolf Hitler, the cleansing of the Czech land of inferior races, the use of the Reich symbols, and strict discipline. Basically, all Czech neofascist organizations have or seek contacts with similar organizations abroad, particularly in Germany.

The periodicals, like ARIJSKY BOJ [Aryan Struggle], FENIX [Phoenix], AGRESSOR [Aggressor], DER STUERMER, SUDETAK [Sudetenlander], DNESOK [Today], although they are literally lap-top produced and distributed mostly at meetings and at concerts of Skin-head groups or through mailboxes, openly promote fascism, racism, violence, the thousand-year Reich, and so forth. At present, the publication of periodicals is not

subject to approval by state authorities, only to registration at the Ministry of Culture. Only after registration can the ministry itself or a citizen file a complaint with the bodies active in criminal proceedings. Not a single ultraright or fascist periodical has been registered.

According to Zdenek Trojan, social democratic deputy in the Czech Assembly, who is actively involved in dealing with this problem, the laws necessary for the prosecution of such phenomena exist in the Czech Republic. Their actual application, however, does not correspond to the need. The deputy has never received an answer to his interpellation to the prime minister regarding the government's assessment of the activities of the groups with a racist or fascist character in the Czech Republic. According to Trojan, the ostensible criminal activity of young neofascists has been almost exclusively judged by other laws, as hooliganism or violent crime, and not by the Law on the Rights and Freedoms of Citizens. This year, eight persons have been charged, and the punishments were very light: fines or suspended sentences.

A total of 11 policemen deal with the extremist groups in the Czech Republic, and eight of them work in Prague. None of them, however, specialize in the fascist movement. The Security and Information Service also monitors such groups.

Moravcik Interviewed About Political Scene

*LD1410190894 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 1100 GMT 14 Oct 94*

[FBIS Translated Excerpt] The internal political scene was disturbed this week mainly by the complaint by the Movement for a Democratic Slovakia [HZDS] and the Slovak National Party [SNS] addressed to the Constitutional Court. They demand that the petition papers of the Democratic Union [DU] be checked and a decision made at the same time about the legality of DU's participation in the election.

What is Prime Minister Jozef Moravcik's view of this complaint? Lidia Mrazova opened the regular Friday interview with the prime minister by putting this question to him. This was the reply she received:

[Begin Moravcik recording] As far as I am concerned, there is no doubt that DU fulfilled all of the requirements. After all, this was stated also by the Slovak Election Commission on the basis of talks among the regional election commissions. All legal requirements were fulfilled for DU's participation in the election. After all, its justified participation was proved by the electorate and their votes. Almost 250,000 citizens voted for DU. May I add to all this that it was, in fact, a typical illustration of a political style practised by the HZDS, and Meciar in particular. He showed it by saying that about 10 percent of the population voted for treason and corruption. This shows great disregard for the citizens. After all, the greatest traitor is Meciar. He has betrayed

his electorate and is going to betray it again because he has been talking about not wanting any feuds, and his first steps lead to something totally different.

He also promised that he would eliminate unemployment, lower prices, and so on. This simply cannot be implemented. As far as corruption is concerned, I want to say that Meciar is already hovering around deputies, including DU deputies, trying to get their support. This too is corruption. [passage omitted] [end recording]

On Coalition, Privatization

*LD1410193994 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 1700 GMT 14 Oct 94*

[Weekly interview with Prime Minister Jozef Moravcik by editor Lydia Mrazova; on 14 October; place not given—recorded]

[FBIS Translated Excerpt] [Passage omitted] [Mrazova] Prime minister, I do not have statistics to support my claim, but it seems that the period of blind trust in politicians is over as far as this nation is concerned. [passage omitted] I am speaking about the political parties' inability to reach a consensus, despite the fact that the need to reach a consensus is being spoken about all of the time. This seems to be a vicious circle because the Movement for a Democratic Slovakia [HZDS] has ruled out the possibility of finding a joint solution with the Democratic Union [DU]. [passage omitted] You are said to have become so alienated that it is impossible for you to begin to trust each other, something that is necessary for holding coalition talks. At the same time, the Party of the Democratic Left [SDL] and the Christian Democratic Movement [KDH] say that a stable coalition government can be formed only with the participation of the DU. [passage omitted]

[Moravcik] We have to be aware that the present issue is whether a confrontational style of politics or a style based on cooperation will assert itself. It seems that it will not be easy to solve this competition between the two political styles, given the fact that the HZDS has achieved such pronounced election results and does not want to abandon a confrontational political style. At the same time, we do not see any reason for abandoning the politics of cooperation.

[Mrazova] Would you be prepared to give up your participation in the government if no agreement between political parties can be reached without that? [passage omitted]

[Moravcik] We do not lay down any conditions in this sphere at all. This question is not for us to deal with. [passage omitted]

[Mrazova] You have outlined the privatization problem. Can you try and explain to those people who may not be at all interested in politics why the outgoing government

is thinking about the sale of state companies when the previous government was criticized for hasty privatization. [passage omitted]

[Moravcik] This is not hasty privatization because all of the projects have been properly prepared and publicized. Everybody can check the projects and the privatization process of the company to be privatized. All proper procedures are adhered to. It is not wild privatization. [passage omitted]

At the moment, the National Property Fund's obligations exceed its income. This means that so far privatization has been costing more than it has generated. To slow it down or to postpone it would result in losses for the national economy.

HZDS Reacts to Comments by DU's Moravcik

LD1410203294 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 1730 GMT 14 Oct 94

[FBIS Translated Text] The press and information office of the The Movement for a Democratic Slovakia [HZDS] has issued a statement reacting to the statement made today by Jozef Moravcik, chairman of the Democratic Union of Slovakia [DU], in which the latter said that his party had met all of the conditions for participation in the recent election.

The HZDS office describes this statement by Moravcik as misleading the public. The statement issued by the HZDS office goes on to say that the facts prove that neither the regional electoral commission in Bratislava nor the central Slovak Electoral Commission observed the lawful procedure in the verification of the DU petition lists, a fact immediately objected to by the HZDS and the Slovak National Party representatives. Moreover, the statement by the HZDS press and information office says that Moravcik predetermined the ruling of the Constitutional Court on the matter before the ruling was made. This cannot be accepted in a democratic society.

At the same time, the HZDS objects to what it considers to be gross personal invectives addressed by Moravcik to the HZDS chairman, Vladimir Meciar.

Denies Casting Doubt

AU1510193494 Bratislava SLOVENSKA REPUBLIKA
in Slovak 13 Oct 94 p 2

[Statement issued by Dusan Kleiman, head of the Movement for a Democratic Slovakia Press and Information Office; place and date not given: "We Are Not Casting Doubt on the Election"]

[FBIS Translated Text] The Movement for a Democratic Slovakia [HZDS] Press and Information Office has been authorized to issue the following statement in connection with informing the public objectively of the complaint submitted to the Constitutional Court by the HZDS and the Slovak National Party [SNS] concerning

the validity of the mandate of the Democratic Union (DU) in the parliamentary election:

The HZDS and the SNS did not turn to the Constitutional Court with a proposal that the results of the parliamentary election be declared invalid. The complaint submitted by the two political entities (in accordance with Article 129, Paragraph 2 of the Slovak Constitution) is oriented against the illegality of DU's election to the National Council of the Slovak Republic [NR SR] in view of the justified suspicion that data had been falsified, thus casting doubt on the existence of 10,000 valid petition signatures required by the Election Law for participation in the election. Despite the fact that representatives of the HZDS and the SNS called attention to this before the election to the NR SR, neither the Regional Electoral Commission in Bratislava nor the Slovak Electoral Commission adopted adequate measures in this matter.

It is apparent that the Slovak Constitutional Court is the only body authorized at this time to make an objective decision in the aforementioned matter.

DU Had Sufficient Signatures Before Election

LD1510211194 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 2030 GMT 15 Oct 94

[FBIS Translated Text] The regional electoral commission in Bratislava has fulfilled the task ensuing to it from the law and has checked all pages of the petition lists of the Democratic Union [DU] of Slovakia.

This was confirmed today by Eva Kovacova, member of the commission, who also said that the members of this body had physically checked the petition lists. With the exception of representatives of the Movement for a Democratic Slovakia, the Slovak National Party, and the Romany Civic Initiative, all members of the commission have confirmed that DU submitted a sufficient number of signatures needed for its participation in the parliamentary election, a fact also confirmed in the commission's minutes.

ZRS Official Predicts End to Havel's Career

AU1410153694 Prague MLADA FRONTA DNES in
Czech 13 Oct 94 p 8

[Article by "kw": "Kolnik Predicts Very Cruel Fate for President Havel"]

[FBIS Translated Text] Bratislava—According to Klement Kolnik, deputy chairman of the Association of Workers of Slovakia [ZRS], President Havel will soon meet an end similar to that of Mikhail Gorbachev. "Havel will end up stuck on the spire of St. Vitus's Cathedral," Kolnik said in this context.

Kolnik supposedly knew long ago that Gorbachev was a British agent because he went to school with Mrs. Thatcher. "I have never seen or heard Havel, I only know that someone wrote that he is a drunk, a drug

addict, and I do not know what else. They will all fall anyway," said the number-two leader of Slovak workers, who is now a member of the Slovak parliament.

Kolnik also said that he once spoke with Deputy Federal Prime Minister Pavel Rychetsky, whom he told that the Czechs had destroyed the [Czechoslovak] Republic but that it would not help them. "This is because the Czechs will be swallowed up by the Germans, and the Slovaks will be gobbled up by the Hungarians," he said.

First Parliamentary Session Scheduled for 3 Nov

*LD1410164894 Bratislava Rozhlasova Stanica
Slovensko Network in Slovak 1100 GMT 14 Oct 94*

[FBIS Translated Excerpt] President Michal Kovac and chairman of the parliament, Ivan Gasparovic, talked today at a news conference about the internal political situation after the parliamentary election. The journalists at the news conference, among whom was our reporter Milan Velecky, were interested mainly in the date of the first parliamentary session. Here is the response of Ivan Gasparovic:

[Begin Gasparovic recording] We agreed with Mr. President that, after the meeting on 25 October, proposed by the political parties elected to parliament, the Slovak

National Council should meet on 3 November. [passage omitted] The president and I agreed only on the date of the first parliamentary session, which must take place even if the political parties fail to agree by 3 November. The meeting on 3 November will take place come what may. [end recording [passage omitted]]

Gasparovic Reportedly Urges Kovacs To Resign

*LD1410171494 Prague Radiozurnal Radio Network in
Czech 1500 GMT 14 Oct 94*

[FBIS Translated Text] During today's meeting with President Michal Kovac, Slovak Parliament Speaker Ivan Gasparovic, who is also a leading official of the Movement for a Democratic Slovakia [HZDS], reportedly called indirectly on the president to resign.

According to presidential spokesman Anton Balaz, Gasparovic indicated that some HZDS members hold the view that President Kovac is one of the causes complicating talks on forming a new cabinet.

President Kovac is said to have reacted to this by saying that he would be glad if a stable majority government were formed, a government that would confirm or at least not diminish Slovakia's current reputation abroad.

Kovacs on CSCE Mechanism, Country's Role

LD1610102094 Budapest Kossuth Radio Network in Hungarian 0805 GMT 16 Oct 94

[FBIS Translated Text] The CSCE review conference has started in Budapest. High-ranking diplomats are currently holding discussions on European security and in December, 50-60, or perhaps 70, heads of state and government will arrive in Budapest for a summit meeting. Istvan Kulcsar interviewed Hungarian Foreign Minister Laszlo Kovacs:

[Begin recording] [Kovacs] No new institutions are needed but the existing institutions must be operated more effectively. A more effective operation should be guaranteed for the institution of the presidency—the institution as a troika, that is, the last, the current, and the future presidents—the institution of the general secretary and that of the high commissioner of minority rights.

[Kulcsar] The Russian leaders raised an idea which would almost amalgamate the CSCE with NATO. It suggests the setting up of a kind of security council within the CSCE which would have the authority to pass binding resolutions. What do you think of it, Mr. Minister?

[Kovacs] I think it can be fully understood that Russia views the CSCE from another angle, because Russia is a member of the CSCE but it is not a member of NATO or of the Western European Union. On the other hand, Russia, despite the fact that in a sense it is not such a global power as the former Soviet Union, also has continental interests and even interests beyond the continent. It is another matter that the other CSCE members may only very faintly share this view of Russia.

[Kulcsar] Mr. Minister, you have just mentioned that you wish to attribute greater significance to the institution of the presidency by strengthening the president's position in the CSCE. It is also known that, from December, Hungary, that is, the Hungarian foreign minister, will become CSCE president for a year. What are your intentions and ideas for this period?

[Kovacs] We believe that it provides a very good opportunity to increase Hungary's role in European politics. I would obviously like to make use of this opportunity for the benefit of Hungary and Hungarian foreign policy. We, of course, cannot mix Hungarian foreign policy interests with CSCE considerations. However, this position will enable Hungary to play a greater part for instance in crisis prevention and management, and I think it will strengthen Hungary's international prestige. [end recording]

Foreign State Secretary Views Major Issues

AU1410073494 Budapest MAGYAR NEMZET in Hungarian 13 Oct 94 p 11

[Interview with Istvan Szent-Ivanyi, political state secretary at the Foreign Ministry, by Lajos Pietsch; place

and date not given: "Good-Neighborly Relations Cannot Be Narrowed Down to the Basic Agreement—Istvan Szent-Ivanyi on the Foreign Coalition, Further Dismissals, and the Separation of the Brussels Professionals"]

[FBIS Translated Text] [Pietsch] The Foreign Ministry is one of the ministries under coalition control. As we approach the end of the first 100 days, what are the first experiences and how is the cooperation functioning in practice?

[Szent-Ivanyi] The basic tenets of this were already outlined at the coalition talks where we actually managed to coordinate affairs relatively easily and quickly because the foreign policy programs were not far from each other and we only had to adjust our stances on a few issues. The personal guarantees of the implementation are Foreign Minister Laszlo Kovacs representing the Hungarian Socialist Party [MSZP] and me representing the Alliance of Free Democrats [SZDSZ]. This also means that a decisionmaking structure has been established (and has so far operated well) which means that three people participate in preparing all decisions. Kovacs and I bear the political responsibility and Administrative State Secretary Ferenc Somogyi, who is neutral in a political sense, represents the bureaucratic and professional viewpoints. In practical terms this means that before the ministry consultation on Mondays, we three hold a state secretarial consultation and review the issues on the agenda which can affect personnel or foreign policy. In addition to the regular meetings, the three of us sit down to discuss the issue whenever a quick decision is needed. Should disagreement arise on an important issue between the two political leaders, the coalition coordination council would have to make a decision. However, neither of us have so far turned to this body. As a matter of fact, I would not find it tragic to do this, either, because the coordination forum holds meetings every week in order to iron out any possible conflicts (that exist in many other areas).

[Pietsch] Comparing the foreign policy sections of the two parties' election programs, a difference of emphasis could be felt in two areas: The issue of us joining NATO and the speed of improving our good-neighborly relations.

[Szent-Ivanyi] We indeed have differences in the wording and the emphases as regards NATO membership but these were removed at the coalition talks. On the basis of mutual concessions, we changed two points. One of these, in accordance with the SZDSZ's requirements, was that the need for membership should appear emphatically in Hungary's foreign policy, we should state this clearly. At the same time, we accepted the MSZP's view on how to decide on the membership, namely a referendum should finally confirm it while the government on its part supports the "yes" vote.

[Pietsch] Regarding the speed of improving relations with the neighbors, it seemed that the MSZP used shorter deadlines.

[Szent-Ivanyi] We did not have any disagreements on this issue with Kovacs, we both know that this is a lengthy process. There was a complete agreement on having to start the process. We thought of approaching the issue step by step. At the same time, especially during the election campaign, certain statements could be heard from which one could conclude that the MSZP considered a fast, perhaps immediate breakthrough possible. The SZDSZ would also consider this desirable but we based our strategy on the expectation that this would be a long march (and the development in the neighborhood also appear to support this). One thing has to be clear, namely Hungary's intentions to normalize relations and that it is prepared to make gestures in order to achieve this. However, it will stand by its fundamental interests and will not give them up. Therefore, rather than by giving up our principles, we wish to improve relations by going to the limits of reasonable compromises.

[Pietsch] Does this also mean that we consider settling relations with the neighbors in the long run, with gradual steps forward?

[Szent-Ivanyi] Yes, this means that we believe that many small steps are needed. We start from the premise that the basic agreement can greatly contribute to this process. However, if we, for some reason, do not manage to make these steps, this will not hinder significant progress in other areas—mainly in the areas of economic, cultural, and technical cooperation.

[Pietsch] However, further high-level meetings are needed to do this. Would the organization and implementation of such talks be delayed by the fact that the public will ask before each new meeting: What is happening to the basic agreements?

[Szent-Ivanyi] It would not be fortunate to narrow down the scope of bilateral relations to the basic agreements. These can mean important progress but they are not the only ones to serve bilateral cooperation. Naturally, we have the intention but we have firmly stated our conditions for signing these. If we cannot ensure these conditions in the short term then we cannot sign the basic agreements, either. Therefore, bilateral relations must not be subordinated solely to this issue because very many other possibilities for action also exist.

[Pietsch] How much reorganization have you implemented in the ministry in the first three months?

[FBIS Translated Text] [Szent-Ivanyi] During the coalition talks, our basic tenet was that we would not begin our work acting as a new broom. Our philosophy was first to think through what we intend to do and then to examine if the various organizational units are able to serve these goals. We should only implement the changes that are definitely justified. For this reason, we set up a

reform committee of experts and ministry employees and, on the basis of their recommendations, some changes have been implemented which are not overall or structural. The establishment of a new and stronger planning and analysis information main department was one of these; it also functions as a think tank. We have implemented some minor profile cleaning, set up the economic main director's institution, which is a new organizational unit. These were the most important changes and, in addition to this, we are struggling daily to solve the staffing situation. We have inherited a given situation with the number of employees being much higher than legally permitted. Our goal is to reach the legally required staffing level by 31 December. Economic reasons also compel us to do this; otherwise the Foreign Ministry will become impossible to finance. On the other hand, we are in the process of reexamining the foreign missions. At the moment, we have 93 missions and the current leadership believes that this definitely has to be reduced, naturally, only after due consideration. Countries of similar size to Hungary, like Austria or Norway, maintain around 70 missions.

[Pietsch] This means that further cutbacks are expected in the Foreign Ministry—are you not afraid of the opposition's criticism?

[Szent-Ivanyi] Even when no one had been dismissed, some of the press already claimed that political cleanup was in process in the Foreign Ministry. Now we indeed have to start some dismissals but I would like to emphasize that this does not have a political motivation. To a certain extent, streamlining is one of the reasons, and most of the dismissals will be solved through retirements. Serious professional complaints resulting in dismissals have only been raised in a few cases. Political reasons have not played a role in any of the cases.

[Pietsch] In the past, the Foreign Ministry's expert group was very strong in preparing the policies dealing with European integration. The duo of Martonyi [former Foreign Ministry state secretary] and Granasztoi [former Brussels ambassador] have now left this. How do you wish to organize this area?

[Szent-Ivanyi] I am sorry about the departure of both of them; they both left on their own accord and both, especially Martonyi, are very well-prepared experts familiar with European affairs. Fortunately, we have many other good diplomats and well-prepared experts both here and in Brussels. Therefore, I am not worried that the ministry's professional level will decline. Deputy State Secretary Istvan Pataky took over the tasks concerning the European Union's [EU] countries and the EU itself. He was previously ambassador to Ireland, one of the member states, and he is familiar with the organization. We are also planning to strengthen the main department dealing with the EU with a few people.

[Pietsch] Have you decided on whom to appoint as Brussels ambassador? Is a new concept being outlined in connection with this post?

[Szent-Ivanyi] Indeed, the ministerial consultation has already decided to divide the three important profiles that have to be represented in Brussels: We have a bilateral direction which means bilateral relations, we have an EU profile that is becoming increasingly important, and there is an Atlantic coordination office that helps to maintain relations with NATO. Up to now, in accordance with a government decision, the three were under a unified control which had certain advantages but also definite disadvantages. In the light of our experiences, we decided to separate the three areas and we are placing suitable people at the head of each. We already have some candidates.

[Pietsch] How does coordination operate in cases when a decision is made at another ministry? How do you ensure that this is in accordance with our integration goals and European norms? Is the Foreign Ministry asked on such occasions about the expected reaction from Brussels?

[Szent-Ivanyi] This will only be started now because the relevant government decision has just been made. We had to decide where the various kinds of European competence belong, under which supervision, and into which institutional system. I trust that we will be able to eliminate all kinds of minor operational problems in the future.

Intelligence Head Views Changed Activities

AU1610151494 Budapest MAGYAR NEMZET in Hungarian 14 Oct 94 p 7

[Interview with Bela Katona, Hungarian minister without portfolio in charge of the civilian intelligence services, by Zoltan Vereckei; place and date not given: "Secret Service Agents Are Not Karate or Shooting Champions"]

[FBIS Translated Excerpt] [Passage omitted] [Vereckei] The targets of intelligence activity have changed considerably in recent years: The confrontation between the two big powers stopped, and the political intelligence activity decreased considerably, while the focus is now on other areas. To what extent has all this affected the life of the Hungarian intelligence services? Tibor Fuzessy, the former head of the Hungarian intelligence services, mentioned the neighboring countries as the main targets.

[Katona] The statement by Tibor Fuzessy stirred up quite a storm at the time. I would rather say that the task of the service is to gather all information that harms or affects this country's interests. I would not name target countries either, because the decision that we refrain from developing an enemy image also applies to intelligence activity. On one hand, this simplifies our activity; on the other hand, this complicates our activity, because the secret service must also work in several directions in any given situation. [passage omitted]

[Vereckei] In recent decades, we have hardly heard about any case of Hungarian agents being nabbed anywhere. What does it mean? Are they working so well, or are they are not present anywhere?

[Katona] Mostly the former. That is not self-praise, because I have nothing to do with their achievements, but it seems that other major foreign secret services recognize the professional level of the Hungarian intelligence services.

[Vereckei] How do you get your feedback on that?

[Katona] There is a very accurate point of evaluation, namely the countries with which secret services develop relations. This is a professional issue for them, and it seems that the international contacts of the Hungarian intelligence services have grown considerably since 1990. [passage omitted]

[Vereckei] You said that you are trying to go public on every issue that needs public support. The possible restoration of the position of spokesman could be part of this. Have you already decided on the issue? Will the National Security Office have a spokesman?

[Katona] There will be a spokesman, but I do not yet know whether there will be a spokesman only for the Office, or one common with the Secret Service. We have not yet decided on that. There is complete understanding on the need for the public to occasionally receive adequate information about our activities and about major events. It is much easier to do this with a spokesman or a press office, than with officers who cannot appear in public. [passage omitted]

[Vereckei] The lack of a decision on whom to put under surveillance and how led to serious consequences at the Military Security Office. Is this also such a problem at the National Security Office?

[Katona] Yes. The new bill has an article on the posts that require a preliminary national security investigation. This will be quite open, and the person in question will also be aware of it because, when he applies for the given position, he will have to fill out a form in which he accepts this investigation.

[Vereckei] You also said that, in your opinion, that it would be necessary for the government to occasionally determine the main lines of intelligence activity. Has this already taken place?

[Katona] Not yet. We are working on this issue now.

[Vereckei] It has been heard repeatedly in recent years that Hungary is a spies' paradise. Is this really the case?

[Katona] It is very difficult to answer this question. If I gave you an exact answer to this question now, it would mean that ours is the best national security office in the world. Therefore, I would rather say that, naturally, intelligence activity against Hungary continues. It is also obvious that certain directions have changed, people

want to know other things and in other places than 10 years ago, when the front lines developed in accordance with the military and political confrontation. These front lines have now become quite blurred and there is far more economic and anti-terrorist intelligence today, rather than direct political or military intelligence.

[Verecke] Am I mistaken in saying that the intelligence activity against Hungary has become more active from Serbia, Slovakia, and Romania?

[Katona] I would not say that. Obviously, countries like to have certain information about their neighbors, so there must be such activity, but one cannot imagine that following events in Hungary is the most important thing for Serbia at the moment. [passage omitted]

[Verecke] You said that the National Security Office deployed large forces to discover left-wing groups in the past, without too much success. On the other hand, there are right-wing extremists, but, fortunately, they are only marginal.

[Katona] Since the change in the regime, we have not discovered any affair that threatened Hungary in any way whatsoever. There are embryonic forms of right-wing extremism in Hungary, but, fortunately, none of them is big enough to represent a real danger. [passage omitted]

[Verecke] A lot of refugees and illegal immigrants come to Hungary, including many criminals. To what extent can the National Security Office follow them? Do you regard it as your task?

[Katona] Of course we regard it as our task, but the changes have made the activity of our office and of the police considerably more difficult. We must accept the fact that we have become a more open country, but we must also realize that we interpreted this openness too widely in the past. [passage omitted]

MSZMP Presidium Discusses Procedures, Tasks

LD1410180094 Budapest Kossuth Radio Network in Hungarian 1600 GMT 14 Oct 94

[FBIS Translated Text] The Hungarian Socialist Party's [MSZMP] chairman will not have a permanent deputy. At its founding session the new party presidium decided that in his absence, Gyula Horn will be deputized by one of his five deputy chairpersons in accordance with the actual tasks and the political situation.

The presidium also decided to abolish the system of executives [ügyvivői rendszer]—the executives' tasks are to be taken over by the presidium members, the party's parliamentary working groups and the ministries.

The presidium will hold sessions on alternate Fridays. It will inform the public about its decisions.

Horn, Kovacs on Possible Treaty With Romania

AU1510173194 Bucharest Radio Romania Network in Romanian 0500 GMT 15 Oct 94

[FBIS Translated Text] Yesterday in Budapest Hungarian Prime Minister Gyula Horn and Foreign Minister

Laszlo Kovacs received a delegation consisting of the members of the parliamentary faction of the UDMR [Democratic Union of Hungarians in Romania]. The conclusion of their meeting, according to a report sent to us by our Budapest correspondent Dorin Suciu, a conclusion which was extracted from the statements made later on by both parties, is that restraint and prejudice stemming from lack of correct information was dispelled and that the UDMR leaders now feel more secure since they have been reassured that the basic treaty with Romania will be signed only if it contains suitable guarantees regarding the rights of ethnic Hungarians.

The head of Hungarian diplomacy asserted that no treaty will be concluded over the head of the minorities and the members of the UDMR delegation were given appropriate guarantees to that effect from Gyula Horn and Laszlo Kovacs.

Official Views Need for Pact With Romania

AU1510154194 Budapest NEPSZAVA in Hungarian 14 Oct 94 p 10

[Interview with Erika Torzsok, deputy chairman of the Office for Hungarians Beyond the Border, by Ferenc Kepecs; place and date not given: "What Is the Use of the Basic Agreement?"]

[FBIS Translated Text] What is the use of the basic agreement to be signed with Romania for us and for the Transylvanian companions of our nation? We interviewed Erika Torzsok, deputy chairperson of the Office for Hungarians Beyond the Border, who recently returned from Marosvasarhely [Tirgu Mures] where she participated in the council meeting of the federal delegates of the Democratic Union of Hungarians in Romania [RMDSZ—UDMR in Romanian].

[Torzsok] Let me begin my answer by saying what it is not good for. The basic agreement in itself will not be able to remedy the seven decades of complaints of the Transylvanian Hungarians or to stop the assimilation, therefore, it certainly cannot meet the overheated expectations surrounding it. However, it may be suitable for dampening the suspicion between the two countries and for pulling the rug from under the destabilizing nationalism. At the same time, as the West expects us to settle our relations with our neighbors, for us, the basic agreement is a compulsory task for European integration. We cannot get into a situation in which Brussels could say that the Hungarian side does not want to sign it. For this reason, too, it would be important for international organizations, for example the CSCE, to become involved in the talks on preparing the agreement.

[Kepecs] Does that mean that the cause of the Transylvanian Hungarians is of secondary importance?

[Torzsok] Not at all. We will only sign the agreement if this will not put them in a disadvantageous situation. In fact, with the expected improvement of relations

between the two countries and ethnic groups, by "putting things right," the situation of the Transylvanian Hungarians would also definitely improve.

[Kepecs] What do you mean by putting things right?

[Torzsok] In Romania—and not only here—the existing economic and social tensions are made to appear as national minority tensions, and these in turn are made to appear as tensions between the two countries. The Romanian leadership needs this situation; the maintenance of these tensions is in its vital interest because these actually justify the existence of the current power. Unfortunately, the RMDSZ also plays the confrontational role assigned to it in this game. Well, we expect the basic agreement to pull the rug from under this kind of politics.

HDUR: Treaty Important, Not Indispensable

LD1410161094 Budapest Kossuth Radio Network in Hungarian 1100 GMT 14 Oct 94

[FBIS Translated Excerpt] Regarding the Hungarian-Romanian relationship, the Horn-led government is willing to even undertake such guarantees about the inviolability of borders that go beyond the Helsinki Accords, if the rights of the Hungarian minority in Romania are sufficiently guaranteed. Zoltan Hortobagyi reports on the meeting of the leaders of the HDUR [Hungarian Democratic Union in Romania] and Hungarian Prime Minister Gyula Horn in Budapest.

[Hortobagyi] The Hungarian Government's attitude toward the fate of the Hungarian minority in Romania will not change. This was announced by the prime minister in front of the large HDUR delegation. Gyula Horn also dispelled the guests' fears about a termination of the Hungarian Government's financial support for them. This is out of the question, Horn said. [passage omitted]

Gyula Horn sees the Hungarian-Romanian Treaty as merely a means and not the aim of settling relations between the two countries. Gyorgy Tokay, leader of the HDUR group of deputies in the Assembly of Deputies of the Romanian parliament, said that signing such a document could be an important step for Hungary and Romania on their way to European integration. It is important but not indispensably necessary, Tokay said. [passage omitted]

Vojvodina Leader Holds Talks in Budapest

LD1410190494 Budapest Kossuth Radio Network in Hungarian 1400 GMT 14 Oct 94

[FBIS Translated Text] The Democratic Community of Hungarians in Vojvodina [VMDK] will not undertake a joint political role with the Association of Hungarians in Vojvodina [VMSZ]. After his talks in Budapest, VMDK Chairman Andras Agoston pointed out that the concurrent organization was formed from the outside, from Hungary, and its members had lost credibility both politically and financially.

Regarding his talks with the Office of Hungarians Beyond the Border, Andras Agoston said that they would jointly work out an economic program to create jobs in the Hungarian-populated areas of Vojvodina after the lifting of the embargo against Yugoslavia.

Slovak Minority Concerned by Diminishing Numbers

LD1410190994 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1400 GMT 14 Oct 94

[FBIS Translated Text] Participants in the meeting of the National Committee of the Association of Slovaks in Hungary have adopted an appeal stating that the Slovak part of the population is decreasing in very large measure. The appeal is addressed to all fellow countrymen urging them to initiate the creation of Slovak minority self-rule [samosprava] in their places of residence. At the same time they adopted a statement on their participation in the elections for minority self-governing bodies.

They also discussed a program proposing Slovak self-rule throughout the state, which would centrally coordinate the solution of the main educational, cultural, and ethnic problems.

State Secretary Hails German Election Results

LD1610224694 Budapest MTV Television Network in Hungarian 2100 GMT 16 Oct 94

[FBIS Translated Text] The Christian-liberal coalition can stay in government in Germany. Does it meet Hungarian expectations? I am asking Istvan Szent-Ivanyi, political state secretary at the Foreign Ministry. Good evening.

[Szent-Ivanyi] Good evening. Opinion polls over the past weeks have indeed indicated for us that it is very likely that the present coalition will continue to function. Although it is true that the first indications show that the final results are tighter than we expected, it is very likely that the coalition will achieve a narrow majority.

As far as we are concerned, we welcome that fact, as Hungary has established very good relations with the current German coalition, which is expected to continue its work. The foreign policy of this German coalition has continuously supported Hungary in joining Europe, the expansion of the European Union. We have good, well-established personal links. The relations between Prime Minister Gyula Horn and Chancellor Kohl are positively friendly, while the Alliance of Free Democrats has close personal links with the Free Democratic Party. All this is a very good sign for the future.

As far as the possibility of meetings in the near future is concerned, it is certain that Chancellor Kohl will participate in the CSCE's Budapest summit in December. We can certainly use this opportunity for high level bilateral

meetings, too. Furthermore, I do not rule out the possibility of a meeting between the Hungarian prime minister and the German chancellor even before this date.

[Announcer] Istvan Szent-Ivanyi, thank you very much.

KDNP Welcomes Kohl Victory

LD1710123594 Budapest Kossuth Radio Network in Hungarian 1100 GMT 17 Oct 94

[FBIS Translated Text] The Presidium of the Christian Democratic People's Party [KDNP] considers the German election result to be Chancellor Kohl's personal success and it hopes that the decision of the electors will end the strengthening of the left in Europe.

The KDNP communique stresses that the Germans voted in favor of a government which is committed to expansion of the EU. According to the KDNP, in the next four years Hungary must conduct a policy which will irreversibly lead it to the EU.

Television Official Announces Program Plan

LD1410165994 Budapest MTV Television Network in Hungarian 0600 GMT 14 Oct 94

[FBIS Translated Excerpt] The new leadership of Hungarian Television has carried out a complete change among its top management in just over two months. This was announced by Adam Horvath, chairman of Hungarian Television. [passage omitted] Deputy Chairman Ferenc Szekely will be in charge of the editorial work of programs, while the production side will be supervised by Deputy Chairman Peter Somosi. [passage omitted]

In the new Hungarian Television structure, the share of air time from 1 January 1995 will be as follows:

Educational programs, 10 percent; arts and culture, 14 percent; service programs, 8 percent; news programs, 15 percent; entertainment and sport programs, 32 percent; children's and youth programs, approximately 7 percent; political and economic programs, approximately 6 percent; programs dealing with Hungarian minorities beyond the border, approximately 4.5 percent; and regional programs, approximately 2 percent.

Seven NATO Warships Arrive in Gdynia

LD1410165694 Warsaw PAP in Polish 1421 GMT
14 Oct 94

[FBIS Translated Excerpt] Gdansk, 14 Oct—Seven NATO warships from the mine-hunting group of NATO's Standing Naval Force, Channel, arrived today on a four-day visit to Gdynia.

As Lieutenant Janusz Walczak, spokesman for the Naval Command, told a PAP journalist, the group, together with five Polish minesweepers from the 9th Coastal Defense Flotilla at Hel, will take part in the Passex-94 naval exercises held within the Partnership for Peace program, scheduled for 18 and 19 October. [passage omitted]

Republic's Participation in WEU Discussed

LD1310154794 Warsaw PAP in Polish 1236 GMT
13 Oct 94

[FBIS Translated Text] Warsaw, 13 Oct—Willem van Eekelen, the secretary general of the Western European Union [WEU], today met Minister of National Defense Piotr Kolodziejczyk. Both politicians discussed, among other things, opportunities for Poland to participate in future WEU operations.

At a news conference after the meeting with Kolodziejczyk, Eekelen recalled that Poland is an associated partner of the WEU and has the right to participate in consultations and the WEU work. "I think this is a very important step to gain full membership within our structures," he said.

Eekelen said that he came to Poland "at a very interesting time." He added that Kolodziejczyk gave him assurances that civilian control over the Army is not at issue in Poland.

Kolodziejczyk Testifies Before Sejm Subcommittee

LD1410190094 Warsaw TV Polonia Network in Polish
1600 GMT 14 Oct 94

[FBIS Translated Text] [Announcer] National Defense Minister Piotr Kolodziejczyk today appeared before the Sejm subcommission that is examining the Drawsko events and provided examples of insubordination by the General Staff. Also testifying today were Deputy Ministers Danuta Waniek and Jerzy Milewski.

[Correspondent Wieslaw Rajewski] After the meeting, none of the leaders of the ministry were prepared to say what had taken place behind the closed doors. Jerzy Szmajdzinski, chairman of the Sejm Defense Commission, admitted, however, that Minister Kolodziejczyk gave a number of examples of insubordination by the General Staff.

[Jerzy Szmajdzinski, Democratic Left Alliance] Such documents do not exist at the moment.

[Rajewski] But he presented the (?evidence) verbally?

[Szmajdzinski] Yes, he did.

[Rajewski] The deputies asked Minister Kolodziejczyk to submit his allegations in writing and provide written evidence by Monday. Next week, the commission will hear General Tadeusz Wilecki, chief of the General Staff, and generals who participated in the infamous dinner at the Drawsko training ground.

Defense Deputy Says Kolodziejczyk Should Stay

LD1410151994 Warsaw PAP in Polish 1400 GMT
14 Oct 94

[FBIS Translated Text] Warsaw, 14 Oct (PAP)—Jerzy Milewski, first deputy minister of national defense, was the last of the ministry's leaders to speak today before the Sejm subcommission of the National Defense Commission, which is examining the crisis in the defense department.

Milewski told journalists that Defense Minister Piotr Kolodziejczyk should continue to perform his duties. According to Milewski, the conflict can be resolved quickly, and the opinion that it could delay Poland's joining NATO is premature.

Sejm National Defense Commission Chairman Jerzy Szmajdzinski (SLD [Democratic Left Alliance]) said the subcommission wanted to establish the reasons for the conflict, which "originated well before Drawsko." According to him, 90 percent of the questions put today by the deputies to the members of the ministry's leadership went beyond the so-called Drawsko affair.

Szmajdzinski also said that, for the present, there are no plans to ask anybody at Belweder Palace for a statement on the Drawsko affair and that the "president has already said everything in public."

Former MON Official Views MON, Army, Dispute

WS1410121594 Warsaw GAZETA WYBORCZA in
Polish 13 Oct 94 pp 10-11

[Interview with Zbigniew Skoczylas, former director of the MON Personnel Department, by Edward Krzemien; place and date not given: "Until the Next Dinner..."]

[FBIS Translated Excerpt] [Krzemien] As a result of the present conflict, the president has forwarded a letter demanding the resignation of Minister Piotr Kolodziejczyk. Did such a dramatic conflict really have to take place?

[Skoczylas] Unfortunately, conflicts within the Ministry of National Defense [MON] are not such a new thing. Over the past three years, the leadership of the civilian section of the ministry has been changed three times. Now it looks like there will be another one. Now, if

President Walesa loses the election, the new man in the Belweder will want to change MON heads once again. [passage omitted]

[Krzemien] Poland also cannot afford to change ministers so often, can it?

[Skoczylas] Of course it cannot! Before 1991, no civilian dealt with the steering of the Defense Ministry in our country. Entirely new people came to MON, who had to learn everything. However, contrary to appearances, the point is not to be very familiar with military issues. Winston Churchill had never been a Navy serviceman; still, twice he was the first Lord of the Admirals—that is, minister of the Navy. [passage omitted]

[Krzemien] Let us revert to our history.

[Skoczylas] In 1991, the team of Admiral Kolodziejczyk, made up of civilian Deputy Ministers Janusz Onyszkiewicz and Bronislaw Komorowski, prepared a plan for transforming MON into a civilian structure. It was assumed that, apart from the civilian defense minister, another post would be established: the post of a general inspector of the Armed Forces. It was predicted that this post would be filled by Kolodziejczyk.

Consultations with NATO representatives were already under way at that time. It seemed that we would follow the German model of the organization of the Armed Forces. In Germany, the civilian minister is in charge of the Armed Forces in peacetime, and, in the event of a war, this function is assumed by the chancellor. [passage omitted]

The problem is that we always put the cart before the horse... The intention was to transform the ministry very quickly—we could not apply for NATO membership when our ministry worked according to the old model. However, in order to introduce a new model, it was necessary to create an entire legal foundation—the law on the general duty of defense and the law on the office of the defense minister. We do not have these laws yet.

To blame for that were frequent changes not only in MON but also in the parliament, which for two years has not had time for a serious debate on what the Polish Army should be like and what should be its position in the state. Without this debate, no minister is able to propose any specific solutions to military problems.

[Krzemien] The first civilian minister of defense was Jan Parys.

[Skoczylas] He did not intend to be a "Belweder" minister. He took advantage of his legal powers. At that time, the old constitution was still in effect, as was the law on general duty of defense, which stated unequivocally that the minister is the commander and the head of the General Staff is subordinated to him. No one has changed this! Thus, Parys was in a position to retire Kolodziejczyk, effective 31 December 1992, right after he was appointed minister. [passage omitted]

[Krzemien] You mean the discussion on the Small Constitution, which began in the spring of 1992?

[Skoczylas] Yes, I do. However, at the same time, the president ostentatiously acted as a spokesman for the Army's interests. In March 1992, the famous briefing took place—a meeting between Walesa and the top generals, behind the back of Minister Parys. Immediately after that, the president summoned General Tadeusz Wilecki and, without the minister's knowledge, offered him the post of head of the General Staff.

[Krzemien] This is when the name Gen. Wilecki became more widely known—Wilecki was at that time the commander of the Silesian Military District.

[Skoczylas] Zdzislaw Stelmazczuk, who headed the General Staff at the time, was considered to be too loyal to Minister Parys. After the collapse of the Olszewski government, he was recalled from his office on charges of yielding too much to, among others, file-checking plans. When Hanna Suchocka formed her government, there were three candidates for the head of the General Staff. The first, who was an outstanding specialist, was turned down because of his political record. The second gave up because he realized that the Belweder was favoring the last one—Wilecki.

[Krzemien] Janusz Onyszkiewicz, the new minister, could at last put the military legislature in order.

[Skoczylas] For four months, it looked like we would get it all done by the end of 1992. However, there was again the problem of the Small Constitution and of the ambitions of the president, who wanted to steer the Army by subordinating the head of the General Staff directly to him. Work on restructuring the Army was halted.

By an internal order, in April 1993, Minister Onyszkiewicz put Gen. Wilecki in charge of the Armed Forces. The Sejm National Defense Committee sued the minister and threatened to bring him before the State Tribunal for transferring his legal duties to the head of the General Staff on the basis of a lower-level act. Minister Onyszkiewicz would probably have been brought before the State Tribunal if we take into account the configuration of political forces that was at that time in the parliament. However, before that happened, the president dissolved the parliament. The minister's decision was indeed contrary to the law.

[Krzemien] Did Onyszkiewicz realize what he was doing?

[Skoczylas] I got the impression that he sought some kind of an agreement with the General Staff and the Belweder at any cost. He did realize that the president wanted very much to exert influence on the Army.

The president dissolved the parliament, and the election campaign began. The issue of the Nonparty Bloc in Support of Reforms became known. Onyszkiewicz threatened to start disciplinary action if it turned out

that officers were involved in political agitation in military units. As a result of the minister's firm decision, the Army stood on the sidelines of the electoral battle, and no general entered the parliament. This decision made by Minister Onyszkiewicz still rankles the generals.

This was the reason that Walesa and the generals invited the minister to dinner at Wesola, near Warsaw. It was in mid-August 1993. First Onyszkiewicz was severely criticized by the generals, then it was Walesa who took the floor: "Mr. Minister, you do not understand anything. You have not learned anything." Walesa announced that he would request that Suchocka recall Onyszkiewicz.

However, the issue was not blown up. All interested people were silent. In his last month in office, Minister Onyszkiewicz showed that he had not allowed himself to be intimidated. He issued a set of internal MON regulations, which restored the legal principles: complete subordination of the head of the General Staff to the defense minister and the duty to consult all decisions with him.

These regulations were immediately canceled by Kolodziejczyk when he assumed office.

[Krzemien] Which means that Kolodziejczyk decided to cooperate with Wilecki.

[Skoczylas] This cooperation probably ended last March.

[Krzemien] Why was that?

[Skoczylas] The General Staff demanded that its head be sovereign and not be subordinated to the minister.

[Krzemien] Right. However, it looked like Kolodziejczyk had nothing against that.

[Skoczylas] He tried to continue the compromise-oriented policy that Minister Onyszkiewicz conducted early in office. He also tried to agree on the scope of the General Staff head's powers. It turned out that the military people kept demanding more. Then a peculiar situation developed: Two independent blocs came into being within MON, and the two blocs did not communicate with each other. One bloc was headed by Minister Kolodziejczyk and the other by Gen. Wilecki. Minister Kolodziejczyk was often on purpose affronted in public, which is inadmissible in any Armed Forces.

[Krzemien] Which means that the General Staff is not going to put up with any civilian minister of defense.

[Skoczylas] This is your conclusion, however logical. They did not like Parys because he was in favor of file-reviewing, because he steered the ministry in an autocratic manner, because he did not take the opinion of the Belweder into account. They were not satisfied with Onyszkiewicz because he would not accept solutions favorable to the president, and because he would not transfer all of his powers to the head of the General Staff.

[Krzemien] The main charge that the generals and Walesa leveled at Onyszkiewicz a year ago, and which they repeated in Drawsko in front of Kolodziejczyk, is this: You have not seen to it that the Army gets more money, Minister.

[Skoczylas] They were barking up the wrong tree. I have the "Strategy for Poland" document in front of me. Please find at least one word on national defense issues. There are none. The document does not envision more expenditures on national defense.

On the other hand, however, on 17 August an article appeared in POLSKA ZBROJNA that said that as much as 2,000 or 3,000 trillion zlotys [Z] would have to be spent over the next 15 years in order to really improve the condition of our Armed Forces! This means that every year we would have to spend, not counting inflation, Z150 trillion, which is four times as much as we are spending now.

There are no such possibilities, and this must be said clearly. It is no use promising the Army every year that next year it will receive more money from the budget. It will not. [passage omitted]

[Krzemien] The generals say that Wilecki wants a strong and modern Army, but he meets with the opposition of civilians, who do not understand anything.

[Skoczylas] Let me quote Clemenceau, French prime minister during World War I: Defense issues are too important to be handled by only military people. We should evaluate not Gen. Wilecki's intentions, but whether he observes the law and takes care of the real interests of the Armed Forces.

There is no possibility for maintaining the Armed Forces at a level corresponding to the vision of part of the command cadres of the Polish Army. We cannot even afford a contingent that the Vienna treaties envision for us. In line with them, we are allowed to have several top-notch aircraft—let us say, MiG-29's or SU-27's. One such machine costs approximately Z290 billion. We can have 400 combat helicopters. They cost a lot. We can also have 1,400 tanks, even T-72's, even though they are out of date. I am not talking about the T-84, which the Russians now have and which is a counterpart of the German-made Leopard 2, the U.S. Abrams, or the French Leclerc. Where can we get the money for them?

[Krzemien] The generals level one more charge: The civilian ministers have blocked possibilities for promotion within the Army.

[Skoczylas] We have a bad structure of officer ranks. We have too many colonels, major colonels. [passage omitted]

[Krzemien] There was voting in Drawsko; there is a row in the Sejm. How can the deadlock be broken?

[Skoczylas] There is no good solution. The conflict is over a row of souls, over power. The conflict did not start

as a result of concern about the condition of defense in our country. However, a solution must be found. One can pretend that nothing has happened. It can all be patched up. However, until the basic problems of the Army are resolved, this conflict will keep coming back.

[Krzemien] Perhaps it would be better if the minister tendered his resignation?

[Skoczylas] This would have bad consequences. It would be received very unfavorably by NATO.

[Krzemien] Then the head of the General Staff and the generals who were against the minister should be recalled?

[Skoczylas] History shows that such dramatic solutions have been put into effect. [passage omitted]

There is only one thing for which I would personally criticize the participants of the Drawsko meeting. Everyone is entitled to his own opinion on the results of Minister Kolodziejczyk's activities. However, it is not up to generals to issue opinions and evaluate the minister. At the meeting, there was not a man who would have drawn the president's attention to the fact that such things are done not by the Army, but by the government and the parliament.

[Krzemien] Thus, all solutions are bad...

[Skoczylas] Exactly. This is why the Sejm National Defense Committee should go deeper into military issues. Today the contacts of the parliament and the government with the Army boil down to the following: A delegation visits some military show that ends in a dinner where pea soup is served. [passage omitted]

It is true that the present Sejm Defense Committee hinted to the prime minister that the situation in the Army is not good. The deputies are preparing their own bill on the defense minister. However, it is too late. This entire issue was delayed, and the scuffles in the Army were passively observed for a very long time.

[Krzemien] You must agree, however, that the role of the Army in the state must be limited. The situation at the time of the People's Polish Republic cannot be maintained.

[Skoczylas] Yes, but you cannot expect that the Army will grasp overnight what has changed in the country and that it will immediately give up the role it played before 1989. What is more, we do not have a tradition of democratic control over the Army. Before World War II, the political system was based on respected military celebrities, on Marshal Pilsudski, then on Rydz-Smigly. After the war, for 40 years the Army was the armed branch of the communist party. These people were educated and taken advantage of in this manner. Thus, it is no wonder they are unable to understand their new role.

It is politicians who should help the Army understand its new role. However, for two years they have not done anything.

[Krzemien] Are you accusing the entire political class?

[Skoczylas] Yes, I am. We are to blame. The blame should be put not only on the Army. We all have failed the democracy examination.

Agrarian, Food Industry Policy Up To 2000

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[Official government document drafted by the Ministry of Agriculture and Food Economy adopted by the Council of Ministers in June 1994: "Agriculture and the Food Industry Economy to the Year 2000—Socioeconomic Policy Principles"]

[FBIS Translated Text] *The basis adopted for the general premises of the economic growth of the countryside and the agricultural and food sector was the draft "1994-97 Program for Social and Economic Policy," prepared by the Central Planning Office. Allowance was made for the obligations ensuing from Poland's international agreements with EFTA [European Free Trade Association] and CEFTA [Central European Free Trade Association] countries and for the completed Uruguay Round of the GATT, as well as, above all, for the association agreement with the European Union.*

The drafting of the premises was preceded by the "Report on the State of Agriculture and Food Economy." That document characterizes the sector's situation and the barriers and constraints on its operation. This serves to shift emphasis from an analysis of the sector's current situation and to allow for the specific context of agricultural production, and especially for its long production cycle and capital turnover. Hence, the period until the year 2000, that is a period longer than the four-year period adopted by the CUP [Central Planning Office] as the basis for formulating the social and economic macropolicy, was adopted as the basis for the considerations.

Special attention was paid to one of the most difficult rural problems: Unemployment, overt and covert. In this respect, allowance was made for the situation of the two principal groups of the rural population: farmers and those deriving their income from other sources. That is because solving the unemployment problem is not just of civil and social importance but also linked to desirable changes in the agrarian structure of agriculture.

Successes of the policy on the countryside, agriculture, and the food economy will be closely tied to other domains of Poland's political life and will depend on the following policies:

—Financial, including the restructuring of the banks financing the agricultural and food sector and the enterprises linked to agriculture.

- Fiscal, which, following an appropriate revision, may become a factor promoting a faster pace of the country's economic growth and of reallocation of resources among regions.
- Social (education, health care, insurance system, public assistance, etc.).
- Nutrition.
- Ownership changes [privatization].
- Foreign trade (export promotion, protection of domestic market, etc.).
- Science and the propagation of achievements of domestic science, which may become a significant factor in the changes.
- Ecological, including utilization of degraded and marginal land.
- Regional, serving to identify and tap local human resources as well as the material resources and the attractiveness of individual areas as nature parks (this also concerns indicating the directions of alternative sources of employment).

The document thus points to necessary material and financial ties to nonrural and nonagricultural domains of life which may facilitate and quite often make possible determining the final shape of social and economic policy on the countryside, agriculture and the food sector. And while it does not define the best ways of solving all the problems of the Polish countryside, agriculture, and food economy, it points to the directions, instruments, and institutions formulating and implementing that policy.

The document provides a basis for formulating:

- Annual programs for the development of the countryside, agriculture, and food economy which should, when prepared within a suitable time frame, serve to draft the state budget for the following year.
- Development policies for discrete subsectors; the first programs to be drafted would concern sugar beet production, sugarmaking, rape oil and its processing, the poultry industry, and slaughter livestock together with the meat industry. Also: grain, its storage and processing; fruit and vegetable growing in conjunction with the fruit and vegetable industry, etc. Most of these programs will be drafted no later than by the end of 1995, with the program for privatization also included. By closely linking the functions and interests of institutions, farms, food-industry enterprises, and trade, these programs will serve principally to limit investment risks. They will also make it possible to resolve problems of procurement and in effect problems of production ceilings and facilitate exports.
- Regional development programs for the countryside, agriculture, and food economy on the scale of one or

several voivodships (may be further elaborated into programs for the economic growth of gminas [smallest administrative units or townships] or their associations). The first attempts to draft such programs have already been made; they will be elaborated and broadened, and the Ministry of Agriculture and Food Economy will support them institutionally and financially.

Macroeconomic and Social Context

In recent years the agricultural and food sector has been affected by new economic and social conditions. There was the rise of the demand barrier to agricultural and food products, due to the decline in consumer real incomes and the rise in food prices (owing to the withdrawal of budget subsidies). By now the economy has become demand-driven but the mechanisms of the adaptation of agricultural production and supply to the reduced demand as yet do not operate efficiently. They will have to be refined within the next five or six years. In the agricultural and food processing industry the situation in that respect is better.

In the next few years domestic demand for agricultural and food products is certain to grow moderately. This will be due to the natural population increase at the rate of 0.4 percent annually as well as to the 5-percent annual growth in gross domestic product (GDP). In such a situation, there is a chance that domestic demand for farm products will increase by about 1.2 percent annually, and farm output for domestic consumption and for exports will increase 1.7-1.8 percent annually. Thus, farm output in the year 2000 may be 12.5-13.4 percent higher than it was in 1993.

The envisaged growth rate of farm output until 2000 will be lower than in the 1980's and earlier (when it had been 2.0-2.2 percent annually), and hence some part of the productive potential of farming will remain unutilized and suitable as a reserve if:

- The economic revival noted since 1993 continues and, in effect, food demand grows.
- A nutrition policy is developed and introduced.
- The opportunities afforded by international agreements with the European Union, the EFTA, and the CEFTA, and by the GATT, for exporting food and agricultural products are utilized.
- The utilization of agricultural raw materials for non-agricultural purposes increases.

An important condition for the expansion of Polish exports is a more active foreign policy oriented toward not just political-consular but also economic objectives.

The promotional objectives of the government are met by:

- Government loan guarantees for Polish exporters.

- The establishment of regional banks with mixed capitalization, with the object of spurring international trade.
- Fairs and expositions, vigorous international marketing, support of barter trade.
- Modernization and restructuring of the agricultural and food sector as a prerequisite for making Polish goods more competitive.

The economic and production situation of the food sector is defined not only by global supply and demand relations but also by the relations occurring on markets for particular products at any given time. Even when there is a global demand barrier there occur situations in which domestic supply cannot meet demand on a given market. This is causing many adverse economic and social consequences. Hence the need to eliminate fluctuations on the agricultural and food market. It can be expected that with growing consolidation of the Farm Market Agency and market institutions, especially the stock markets, commercial insurance, and vertical connections in the food sector, and with improvements in the flow of market information, the agricultural and food market will stabilize.

The modernization of agriculture requires transferring resources from other branches of the national economy. In a situation in which 75 percent of farms have no investment resources, agriculture is incapable of funding reconstruction and technological modernization with its own resources. Without progress and modern technology basically no reduction in the cost of farming production and no improvements in our competitiveness on foreign markets can be expected. Despite privatization, agriculture cannot count on support from the agricultural and food industry, because that industry itself also needs restructuring and modernization owing to the need to steadily raise the level of competitiveness of food products and face ecological challenges.

Modernization of agriculture has been supported by all the countries existing in the stage of socioeconomic development similar to that of Poland's. The specific feature of Poland is such that this process must be accelerated despite the general recession, high unemployment, and crisis of public finance. The growing burden of public debt servicing on the state budget (18-22 percent of budget receipts) and the added burden of spending on social benefits (about 20 percent) are constraints on increasing budgetary spending on agriculture. In such a situation, rational utilization of limited budget funds, other public funds, and foreign credit is a particularly important requirement.

The efficient utilization of domestic and foreign funds for the needs of the agricultural and food sector requires overcoming many barriers through the application of new technologies and a more resourceful attitude of farming-related personnel. There is a need for strong and

creative trade organizations of farmers, especially sub-sector ones, associating themselves into self-governing chambers of agriculture and chambers of industry and agriculture or other similar institutions.

The last few years turned out to be extremely difficult for the labor market in the food sector, especially in agriculture. Registered and covert rural unemployment is rising rapidly owing to, among other things, the return of workers-peasants to the countryside (the number of the rural unemployed is 0.9 million and altogether the number of those looking for part-time or full-time jobs is 1.4-1.6 million).

In the years 1993-2000 the increase in the population of able-bodied age will cause manpower resources to increase by about 1,250,000 persons and restrict the outflow of manpower from the farms. Creating new jobs for the rural population is a task that will require the commitment of the efforts and resources of the entire society. Without preventive measures by many ministries this may slow down the pace of improvements in the efficiency of farm production by cutting its cost through reduced employment. This has adversely affected the already difficult income situation of farming and other rural population, and it will retard desirable structural changes.

Main Directions, Methods, and Subjects of Social and Economic Policy on the Countryside, Agriculture, and Food Economy Until 2000

Institutional and Instrumental Scope of Policy

Government intervention and instruments of agricultural policy will be applied as ensuing from the strategy of Polish social and economic policy and the conditions and pace of its pursuit. Agricultural policy is an integral part of economic development programs and as such it will be pursued with the aid of institutional, economic, legal, and organizational instruments.

Scope of Work of the Institutions Formulating and Pursuing Agricultural Policy

The policy on the countryside and agriculture is formed with the participation of quite a few centers, such as the Ministry of Agriculture and Food Economy, the Treasury Agency on Farm Property, the Farm Market Agency, the Agency for Restructuring and Modernization of Agriculture, and most ministries, central offices, and voivodes. The coordination of this work, including the objectives linked to its implementation, is entrusted to the minister of agriculture and food economy.

The following activities will be continued:

- Recommendation, by the Ministry of Agriculture and Food Economy, of decisions and measures that may be taken by local offices of the national government, local governments, and producer associations. As for that ministry itself, it will focus on resolving the main problems of the countryside and agriculture.

—Separation, within the Ministry of Agriculture and Food Economy, of political functions from administrative ones, so that the model of implementation of administrative tasks would not depend on the varying political alignments, because the lack of continuity in implementing basic guidelines and methods of pursuing policy is retarding the pace of changes.

Budgetary Regulation

An important instrument of farm policy will be the funds earmarked for agriculture and food economy in the state budget. It is to be expected that, as in recent years, support with these funds of the changes occurring in the agricultural and food sector will be, despite their anticipated increase, limited. Budgetary funds will be supplemented with the own resources of enterprises and farms, domestic and foreign bank credit, local community funds, and the resources of numerous foundations.

Budgetary funds will, on the one hand, assure the operation of the institutions serving agriculture and food economy and on the other they will be a source of financial support for specific programs intended to accomplish political objectives. In successive years this other, active part of the agricultural budget will grow in real terms, thus supporting the processes of the restructuring and modernization of the sector. The anticipated slowdown in the pace of inflation will serve to expand the efforts of the government, because a lowered loan interest rate will prompt farms and enterprises to make investments.

Budgetary funds will also be used to provide loan guarantees for borrowing farms and enterprises. A system for guaranteeing export credits by the State Treasury against noncommercial and commercial risks and for insuring export contracts (KUKE) [Corporation for Export Credit Insurance] will be introduced. This will be an important factor, decisive to the growth of agricultural and food exports to, chiefly, the countries of the former USSR.

Market Regulation

The production potential of Polish agriculture exceeds domestic needs. Utilizing that potential and achieving a regular export surplus requires creating, nearly from the scratch, a market infrastructure (commodity markets, auctions, a system for information on the domestic market, monitoring the market situation of current and potential importers of Polish agricultural and food products, and so forth). Support of these processes by the government will be chiefly of a legislative and organizational nature.

Until the market takes over its self-regulating functions, the Farm Market Agency, supported with budget funds serving to stabilize the procurement prices of principal commodities, will continue to operate.

Protection of Domestic Market for Farm Commodities

The acceptance of the decisions of the Uruguay Round of GATT means longterm obligations linked to the

liberalization of international trade. Even in these conditions, however, measures will be taken to counteract imports of goods of undesirable quality and dumped goods which destabilize the still precarious economic equilibrium of the Polish economy.

Commercialization [Transfer to Ownership by the State Treasury with the Object of Possible Subsequent Privatization] of State Enterprises Serving Agriculture and the Farms

This will promote an improved operating efficiency of those enterprises which are not, for various reasons, privatized.

Financial Recovery of Farms and Enterprises

There exist legal solutions serving as the basis for the financial recovery of many food-industry enterprises, AWRSP (Treasury Agency for Farm Property) farms and the Bank of Food Industry. Owing to programs coordinated with Treasury offices and financing banks, there is a possibility for partially forgiving the debts in arrears, if specified requirements are met, which afford many farm and food-industry enterprises an opportunity to continue operating and grow.

The development of agricultural research, counseling, and education is and will remain a prerequisite for a uniform and effective growth of the agricultural and food sector.

Legal Instruments

The expected broad changes of laws, coordinated with the standards mandatory in the European Community, will simplify the pursuit of policy by assuring stable laws for all farms and enterprises.

Modernization and Restructuring of Agriculture and Expansion of Its Technical Infrastructure

Institutional and Financial Premises of Changes

In January 1994 the Law on the Agency for the Restructuring and Modernization of Agriculture (ARiMR) took effect. This agency took over the funds, rights and obligations of the FRiOR (Fund for the Development and Organization of Agriculture) and is active in the following domains:

- Stimulation of the process of structural transformations in agriculture and food processing with the object of improving domestic food balance and increasing the competitiveness of agricultural commodities on the world markets.
- Sponsoring the modernization of existing and newly established farms with the object of improving their efficiency.
- Supporting the attainment of the objectives of the implementation programs of regional policy.

- Supporting the growth of agricultural production and services.

The agency will be funded with monies deriving from the interest charged on the obligatory reserves transferred by banks to the National Bank of Poland, the annual budget subsidy, repayment of loans granted by the FRiOR, and countervailing duties. It is expected that all aid funds granted to the state for agricultural purposes will be coordinated in the form of credit lines, heretofore handled by other entities, and newly activated foreign loans for these purposes, among others from the World Bank—ASAL 300 and the ADP.

The principal form of assistance provided by the agency will be participation in repaying the interest charged on loans granted from bank funds for development purposes. Also expected is the establishment of a loan guarantee reserve fund for enterprises which, although creditworthy and demonstrating good plans for modernization, cannot otherwise be eligible for loans owing to lack of collateral (banks most often refuse to accept land and buildings as loan collateral). In addition, the agency will provide additional funds for rural-infrastructure projects in advanced stages of completion.

The agency will sponsor proposals for institutional solutions relating to the construction of supply and procurement centers. It will also support the interests of farmers, the trading network, and food processors, so as to resolve in the future the problem of procurement contracts and quota assignments for principal commodities. For the next few years the Agency for the Restructuring and Modernization of Agriculture will focus on the following activities:

- Farm restructuring, serving to improve the utilization of farm manpower resources, equipment, and land, and thereby to reduce production cost, adapt production structure to market needs, create alternative sources of income for small and medium-sized farms, improve the quality of products, and meet the ecological requirements of domestic and foreign market.
- Production of high-grade milk, cattle on hoof, and hogs on hoof, reconstruction of the slaughter sheep population (lambs for export) and raising of fur-bearing animals, useful insects, and fish.
- Restructuring of special branches of agricultural production (hothouse- and truck-gardening of fruits and vegetables, growing cultivable mushrooms and herbs).
- Purchase and leasing of land and its utilization.
- Processing and storage of grain, rape, potatoes, fruits, vegetables, and herbaceous plants.
- New equipment lines for processing meat, milk, and other animal products, adapted in variety and forms of packaging to the requirement of domestic and foreign markets.

- Improvements in the quality of products and packaging.

Allowance is made for the possibility of differentiating priorities with the object of promoting regional agricultural policies intended to maintain particular branches of production relating to the nature of farms, the utilization of natural beauty of the region, and the type of resources.

Directions of Structural Changes in Agriculture and the Utilization of the Assets of the Former State Farms

The modernization of the agricultural sector is intended to improve the efficiency of farming and the quality of agricultural and food products as well as to promote an increase in farm incomes and stabilize the market. The measures being taken by the government will cause the changes occurring in agriculture until 2000 to be of a multidimensional nature, consisting in, among other things:

- Zoning of marginal farmland for nonfarming purposes.
- Restricting further subdivision or fragmentation of farmland, which should contribute to farming efficiency.
- Optimizing the size structure of farms so as to promote the growth of farm incomes and the ability to make farm investments.

The zoning of farmland for nonfarming purposes will occur at a faster pace than hitherto, because, in addition to the assignment of land for infrastructural purposes (about 100,000 hectares by the year 2000), the poorest and marginal soils will be excluded from agricultural use (for economic reasons), as has been done years ago in the economically developed countries of western and northern Europe. Such land will be assigned chiefly for afforestation and planting of trees for timber (230,000 hectares by 2000), mostly in the form of private forests, including forestry and farming establishments. The process of such exclusion of farmland from agricultural production will intensify after 1997. (Footnote) (If this process continues until the year 2015, the share of forests in the country's land area will increase to 30 percent and come close to the level characteristic of other European countries.)

In effect, cropland resources will decrease by about 1.8 percent (to 18.3 million hectares) by the year 2000. At the same time, the overall area of cropland comprised by small land plots measuring up to 1 hectare in area will increase to 1.3 million in 2000 from the approximately 1 million at present. Thus the restructuring of agriculture will be accompanied by a decrease in the land area available to farms operating as commodity producers.

The process of excluding low-grade farmland from agricultural production will be utilized to improve the

quality structure of the farmland remaining at the disposal of those farms, the more so considering that this quality is about 38 percent lower compared with many European countries which had much earlier withdrawn marginal soils from agricultural production. This will also be helped by the new regulations introduced in 1994 which restrictively protect top-quality soils and facilitate the administrative zoning of lowest-quality soil for non-agricultural purposes. Laws will promote restricting the degradation of fertile soils, and the already degraded cropland will be used for nonfood production. The process of improvements in the quality structure of soils will be slow; by 2000 the share of top- and good-quality soils will increase by only 0.7 percent. (Footnote) (By 2015 the share of top- and good-quality soils will increase by an additional 2.5 percent, i.e., to a level of 57 percent overall.)

At the same time crop structure will be streamlined by prioritizing an increase in the area of grazing land, whose proportion will increase to 24 percent in 2000 from 21.9 percent. (Footnote) (It is expected that the share of grazing land in 2010 will increase to about 30 percent of the overall area of cropland.)

The increase in the share of permanent grazing land will occur chiefly in the piedmont and montane regions and on poorer soils in the remaining area of this country, when so permitted by good water relations. This will promote, among other things, an increase in the population of slaughter cattle. A major role in these changes is played by regional policy.

Constraints on further subdivision of farmland will be promoted by facilitation of administrative procedures, partial funding of geodesic work by the budget, and an expansion of the scope of land-integration work (three-fold after 1996 and fourfold after 1998) while at the same time reducing the unit cost of that work. Priority will be given to integrating optimal soil complexes on the farms on which they will produce the best results.

Similarly, improvements in the size structure of farms will progress most rapidly in the regions with the best soils and at the same time with regard to the extensive Land Reserve of the Treasury Agency for Farm Property. This process will be slow until 1998 and accelerate during 1998-2000.

On family farms the demand for land will increase, thus resulting in a significant growth in the concentration of land on larger farms. In 2000 farms measuring more than 10 hectares in area will account for 50 percent of private farms (compared with 42.5 percent at present). The land cultivated on farms measuring more than 20 hectares will double in area, and the average size of farms in that group will be more than 28 hectares (currently 25 hectares). It is expected that the number and share of small farms will increase (to 25 from 18 percent), even though they account altogether for only 3.4 percent of all farmland, and similarly that the relatively small group of big farms (25 percent) will increase. The rise in the number

of the little farms will be caused by the strong pressure of the demographic and economic factors in the countryside as well as by substantial restrictions on the free flow of manpower. This will be no major threat to farm production and processes of [land] concentration on large farms. The trend toward deconcentration of farmland will be temporary and contingent on the growth of nonagricultural occupations in rural areas and the pace of absorption of rural manpower surplus. (Footnote) (Temporary in the sense that this trend will probably peter out after 2005.)

All this will spur the differentiation of the economic status and productive potential of family farms. It is likely that in 2000 the market situation will be decided by less than one-half of all farms, accounting for about 80 percent of all farmland.

It is assumed that the family farms with potential for growth will include:

- 100,000 to 150,000 farms measuring up to 5 hectares in areas and with focus on labor-intensive kinds of production: vegetables, special crops, cultivation in hothouses and under shielding, poultry and egg farms, beekeeping, etc.
- 250,000 to 300,000 medium-sized (5-10 hectare) farms, chiefly those abandoning the traditional all-purpose style of production and making substantial progress in modernizing their operations. To survive in the market economy, they will need to exert considerable investment efforts along with credit support.
- Of the farms exceeding 10 hectares in area a majority will survive in the market; this is favored by their being generally (70-80 percent of these farms) well invested and by the relatively high proportion of their specialization (28 percent of these farms).

The role of alternative, other than farming, income sources of the economically weakest farms will grow. The role of sharecropping will also increase. Even now every fifth farmer is a sharecropper on 2-4 hectares, and sharecropped land accounts for 9-10 percent of all land farmed by peasants. The difficult economic situation of farmers and the need to spur land concentration requires developing this form of farming in order to inspire sharecroppers with a feeling of stability and encourage them to invest.

Favorable changes in the size structure of farms will be promoted by the Law of 29 December 1993 on the Management of Treasury Farmland and on Amending Certain Laws. The law allows the Treasury Agency for Farm Property (AWRSP) to:

- Introduce more flexible guidelines for the sale of farmland.
- Introduce, for the purchase and leasing of Treasury farmland, the rule of priority (when identical bids are

made) for farmers who enlarge their farms and for employees and employee cooperatives establishing new farms.

- Increase the number of persons eligible to acquire housing belonging to Reserves of the Treasury Agency for Farm Property.
- Define more precisely the ownership rights of the Treasury.

The agency will make it possible for potential purchasers and lessees to stretch payments over as long as 10 years and to pay a low loan interest rate (one-fourth of the regular interest charged on refinancing credit). They will also be able to obtain loans or loan guarantees on convenient terms.

In cooperation with the Ministry of Labor and Social Policy, and on availing itself of the resources of the Labor Fund, the aforesaid agency will create jobs for laid-off employees of former state farms. Under an appropriate agreement, employment offices will grant, on the basis of loan guarantees provided by the Treasury Agency for Farm Property, small-business loans to jobless former state farm employees. The voivodships menaced by particularly high structural unemployment and the so-called monitored regions (with unemployment higher than 150 percent of the national average) will be granted monies from the Labor Fund at a rate thrice as high as the remaining regions.

It is expected that by the end of 1995 altogether about 3 million hectares of land will be disposed of from the Reserves of the Treasury Agency for Farm Property, of which 2.8 million hectares to be leased and 0.2 million to be sold. The remaining land reserves will be utilized by the agency's companies as well as by farms operated by managers selected on a competitive basis. By the year 2000 as a result of the process of privatizing state-owned land, large farms will own about 16 percent of all farmland. The total number of large farms, whatever the mode of their ownership, will be 4,000-5,000 and they will range from 100 to more than 1,000 hectares in area. Most of these farms will be based on hired labor and employ four to 10 persons per 100 hectares depending on the size and specialization of the farm.

Limiting the Adverse Effects of Unemployment

A major obstacle to the restructuring of agriculture will be the manpower surplus. At the end of 1993 unemployment amounted to 900,000 and by now its growth rate is much faster than in the cities. This situation is further complicated by the heterogeneity of the rural population from the standpoint of occupational status and the labor market. Among the roughly 48 percent of rural population who do not work on farms the unemployment rate is more than fourfold as high as for the farm population. The possibilities for migration from the countryside are limited (the proportion of occupationally active persons in the countryside will decline to 36 percent in 2000

from 38 percent at present). By the same token, the employment problem of the rural population will have to be solved over many years. Unless the considerable unemployment (currently 25.5-percent) of the nonfarm rural population is halted and solved, no decline in registered (300,000) and covert (450,000-700,000) unemployment on farms alone can be expected and hence also desirable changes of agrarian structure cannot be expected. The absence of energetic measures to augment rural employment will intensify unfavorable trends such as:

- Subdivision of larger farms.
- Slowdown of land concentration on larger and better managed farms.
- Slowdown of increase in farm labor productivity, and by the same token also slowdown of farm incomes.

To solve the unemployment problem and assure favorable structural changes in agriculture, 120,000 to 170,000 new jobs have to be created annually for the rural population. After the possibilities for creating them in trade and services, which requires fairly low capital outlays, are exhausted, inflow of outside capital, including foreign capital, will be necessary. To this end a tax relief system will be created for investors who launch new projects in gminas with populations of up to 10,000 (a system which will be additionally differentiated according to scale of unemployment).

Success in creating new jobs will depend on, among other things, the commitment displayed by local community activists in individual gminas and regions. It cannot be gained isolated and fortuitous actions and instead emphasis must be centered on implementing thoroughly planned projects coordinated with voivodship, and eventually regional, plans for social and economic development and with the government's agricultural policy.

Agriculture's Demand for Industrial Means of Production

The growth of agriculture will moderately influence a revival of the industries serving it. While the rising needs of this sector will not result in an expansion of the productive capacities of these industries, they will lead to an improved utilization of existing potential and the manufacture of new products adapted to the changing needs of agriculture. As manufacturing potential becomes more fully utilized, a slower rise in the prices of industrial means of production can be expected.

Mineral Fertilizers

The annual increase in fertilizer consumption has been averaging some 120,000 metric tons. This is tantamount to the consumption of about 900,000-1,050,000 tons of nitrogen (in terms of the pure ingredient) in the year 2000 (the potential of the domestic industry is 1,700,000 tons annually) and about 500,000 tons of phosphorus (the potential of the domestic industry is 900,000 tons

annually) by the year 2000. (Footnote) (In the year 2000, mineral fertilizers will be applied in the amount of 112-115 kg NPK [nitrogenous-phosphoric-potassic fertilizers] per hectare of farmland.)

Imports of 700,000 metric tons of potassic fertilizers (in terms of the pure ingredient) will be needed.

Calcareous Fertilizers

Offsetting the totally negative effect of industry on soil acidity would require the application of 4 million metric tons of CaO (215 kg per hectare of farmland) annually, i.e., 87 percent more than in 1993. The increase in the consumption of lime fertilizers will not require expanding the productive capacities of industry and local quarries. Hence, the scale of the increase in the liming of soils will be determined by the budgetary possibilities of the state (subsidies for the production and transportation of fertilizer lime).

Crop Protectants

In the next few years there will occur some increase in the consumption of basic, low-cost, domestic weed killers and seed-treatment chemicals, as linked to a relative decline in the cost of crop protectants. It is estimated that in 2000 the consumption of crop protectants will increase to about 0.95 kg from the present 0.47 kg, in terms of the active ingredient, per hectare of farmland. The existing productive capacity of the industry is adequate to meet the anticipated increase in demand, though more attention should be paid to initiating domestic production of new varieties of crop protectants that are in demand, including herbicides, fungicides, and graminicides.

Tractors and Agricultural Machinery

Tractor sales in 1994 will amount to 10,000-12,000. The coming end of the clearance sale of tractors owned by the former state farms and SKR [Agricultural Circles Cooperatives] and the restricted imports are, however, bound to spur demand for new tractors, and by the year 2000 replacements of the tractors purchased in 1974-80 will begin, along with a concomitant increase in the sales farm tractors to 20,000-25,000.

Differentiated demand for farm machinery is to be expected. The introduction of tightened rules for imports of used machinery from Western countries will affect positively, e.g., the increase in demand for domestically produced grain and potato combine harvesters.

Given the need for a rise in labor productivity and for improvements in product quality, demand for machinery and equipment used in livestock production will increase much faster than for other types of farm machinery.

Building Materials

Construction activities will be carried out on some 600,000-700,000 farms (chiefly the modernization and

adaptation of livestock pens). On the remaining farms such activities will be confined to repair and maintenance. The expansion of agricultural services and local agricultural and food processing will also spur a rise in demand for building materials.

Given these assumptions, it is estimated that farm demand for building materials—wall, binding, roofing, and insulating materials—during the period until 2000 will increase by about 10 percent annually.

Infrastructure of Rural Areas

One feature of rural infrastructure is, despite the marked advances in recent years, its continuing inadequate development, in the face of considerable regional differences as well.

The principal barrier to the expansion of infrastructure is its high cost. Despite the huge commitment of local initiatives, a continued expansion of infrastructure hinges on government intervention. Analysis of financial sources indicates that preserving the current growth pace of infrastructure, exclusive of land reclamation, can be accomplished if the related outlays are apportioned as follows: 35 percent from gmina budgets, 35 percent from personal funds of the population, 25 percent from state-budget subsidies, and 5 percent from foundations and aid funds in the form of either subsidies or low-interest credit.

The principal financial sponsor of local infrastructural projects will continue to be local governments and tenant associations. However, only funding from the state budget can afford a chance for a more rapid equalization of the existing regional disproportions. The needs are so great that the postulated level of financial participation by the government will require, irrespective of the funds allocated under the budget law, contracting another ASAL loan in the amount of \$300 million from the World Bank as of 1997. Given the current extensive commitment, a moderate rise in spending from gmina budgets and the commitment of personal funds by the inhabitants is to be expected. Such a model of the structure of outlays will, according to a development program prepared at the Ministry of Agriculture and Food Economy, serve to:

—Provide rural water supply and sanitation; maintain the current pace of rural water-pipeline construction (100,000 new subscribers annually), given regional differentiation of the related investments with the object of further equalizing the level of pipeline water supply in the voivodships by the year 2000 and raising to 70 percent of farms access to that supply. About 40,000 simple and inexpensively operated communal and farm water treatment facilities will be built annually, and hence by the year 2000 treatment of liquid wastes will be possible on 280,000 farms (14 percent of their total number). Unfortunately the disproportion between the development of the water supply network and liquid waste treatment plants will persist. The

process of the canalization and treatment of rural liquid wastes is only in its initial stage. Only obtaining a second loan from the World Bank for the development of rural infrastructure will make it possible to accelerate the construction of sewage mains and liquid waste treatment plants.

- Expand the rural telephone network. At present, it is relatively limited compared with the national average. The development plan of Polish Telecommunications, Inc., provides for increasing the number of rural subscribers to 750,000 by 1995 (5.2 subscribers per 100 capita). This can be achieved only if 15 percent of the subsidy from the ASAL loan available to the Agency for the Restructuring and Modernization of Agriculture is allocated for this purpose. This method of financing will make it possible to reach an indicator of about 10 subscribers per 100 capita by the year 2000, which would be a level not much lower than that achieved by the countries of Western Europe in 1989.
- Modernize rural power network with power plant resources. [Even so] it will not meet more than 50 percent of the needs. Unless there is a fundamental change in the program for power grid expansion, the modernization envisaged in that program until the year 2000 will not bring about a substantial improvement, which may impede rural development, especially in regions in which large farms and food processing will develop.
- Expand rural supply of natural gas. In view of the high cost of laying gas pipelines and the geographically dispersed rural housing no major increase in this respect can be expected. By the year 2000 the number of rural gas pipeline network customers will increase to 700,000. Thus an important factor is the cheaper solution in the form of providing bottled liquid gas to farms, with the distribution of such gas spreading quite rapidly in the last four years (35 percent of rural households). Rural supply of natural gas will be expanded through the installation of large tanks for villages or groups of farms and the expansion of the bottling network. This particular solution is universally employed in many developed countries. Its development program in Poland will be completed in 1995.

A separate program provides for developing irrigation facilities, which are an element of the production infrastructure of farming. As presented in 1994 by the Ministry of Agriculture and Food Economy this program provides for halting the regression that occurred in the last four years. It envisages expanding the area of land reclamation to 100,000-120,000 hectares in 2000 from 20,000 hectares in 1995, which entails a corresponding increase in spending to Z4 trillion (zlotys) from 1.9 trillion. The problem of funding this program has yet to be resolved upon, because the related spending, at the rate of Z1.4 trillion annually, in recent years has been insufficient. It is expected that any damage to reclamation facilities due to the investment projects underway

will be repaired with funds allocated for these projects, also under the program for expanding the highway system.

Along with land reclamation, basic facilities (canals, pump stations, levees, water tanks) will be built and modernized; their funding will be supported with monies from the Environmental Protection and Water Management Fund.

Development of Food Processing

Directions of Development

The development of food processing in the coming years will consist in expanding productive capacities, chiefly through the modernization of current production potential. This applies only to certain fields of food processing, and in particular to:

- Beer and malt production.
- Processing of rape oil and production of vegetable fats.
- Processing of potatoes into dehydrated potatoes, chips, fries, etc.
- Processing of vegetables into their canned and dehydrated forms, etc.
- Preliminary processing and preparation for sale (sorting, cleaning, packaging) of potatoes, fruits, and vegetables.
- Production of culinary meat and semifinished meat products.
- Production of highly processed foods, multi-ingredient products, convenience foods or "fast foods," culinary dishes and semifinished culinary products, food concentrates, confectionery products, ready-to-serve or delicatessen foods, and so forth.
- Processing of by-products and utilization of wastes.

Most investments in these fields can be financed with the own resources of enterprises and bank loans.

The modernization of manufacturing potential, chiefly as regards the production of most standard food products, requires modernization and reproduction investments consisting in the replacement of worn production lines and equipping them with additional machinery for portioning, packaging, and composing products with various gustatory features and varying in size, as well as for improving the esthetic appearance of packagings. These investments will serve to narrow the technology gap existing between Polish and foreign food industry and they should also result in an increase in the productive capacities of modernized plants.

The need for modernization and reproduction investments exist, though with varying intensity, in every subsector of agricultural and food processing and in all

types of processing plants. The biggest investment outlays are needed in the processing of principal crops, the dairy industry, and the production of condiments and industrial feeds. On the other hand, the lowest outlays are needed in the latest meat, poultry, refrigerated, and fruit-and-vegetable-processing plants. Modernization investments also are needed in certain new local processing plants because many of them were put into operation with insufficient facilities, at relatively low capital outlays, and upon installing worn equipment. In meat processing this applies chiefly to slaughter facilities, whose operations have to be revised owing to their siting (65 percent of the plants built before 1935 in urban areas account for 17 percent of overall slaughter capacity) and failure to meet sanitary, veterinary, and environmental protection requirements.

A highly important element of the modernization of agricultural and food processing is the development of the technical infrastructure of the plants, and in particular:

- Construction of own liquid waste treatment facilities or participation in the construction of municipal ones.
- Modernization of power facilities, and especially replacement of boilers with their more productive counterparts, the installation of dust precipitators, and so forth.
- Introduction of closed water circuits for process water.
- Modernization of refrigeration equipment and facilities.
- Utilization and processing of the wastes and by-products of food processing.

These investments will serve to restrict the harmfulness of food processing to natural environment and to reduce power costs.

The industries most in need of the modernization of their plant infrastructure are the sugar, potato, dairy, meat, poultry, and yeast industries. Infrastructural investments also are needed for the operation of many private food-processing plants built in recent years. This applies in particular to the new meat and poultry slaughterhouses.

Altogether the investment needs of the food-processing industry are estimated at about Z22 trillion (\$1 billion) annually. This requires increasing the rate of investments to some 10 percent of the current value of the fixed assets of that industry, along with a further growth in the active part of these assets. Outlays on the acquisition of equipment should account for about 70 percent of investment outlays (in 1992 they accounted for 54 percent).

A new direction of development of the agricultural and food processing industry will be investing in the raw materials base. The modernization of processing technologies and the rising quality requirements of the

market are making it necessary to assure a stable supply of top-grade raw materials. In view of the marketing uncertainties, the farms themselves, too, are desirous of stable ties with that industry. In recent years there has been a growth in the interest of these agricultural-market partners in developing various forms of the integration of farming with processing, starting with contractual drives and ending with the commissioning system and various forms of integration in cooperatives. In such a situation, processing enterprises face the following objectives:

- Participation in financing procurements of building materials and means of production as well as in financing the acquisition of specialized equipment by farms.
- Counseling on and monitoring and control of agro-technical farming procedures.
- Granting farmers, insofar as possible, price guarantees within the framework of the functioning of market infrastructure.

The development of such integration will prompt a rise in the demand of the food processing industry for liquid capital, which means that chiefly the economically stronger processing enterprises will focus on this direction of development. This will also spur greater interest of farmers in sharing in the privatization of these enterprises. This demand will be addressed by the aforementioned development programs of the principal subsectors, which will be presented by the end of 1995. The Ministry of Agriculture and Food Economy will assist in bringing about these institutional ties, since it views their formation as a priority.

Privatization Measures

In the subsectors of principal importance to agriculture and the food industry (the alcohol, tobacco, sugar, and fruit and vegetable industries) privatization will be conducted under close supervision by the government and provided that the State Treasury retains a controlling block of shares or stocks. The privatization of these subsectors will be part of subsector programs. It is expected that infusion of capital will be the principal form of privatization, with participation by foreign investors to be restricted and controlled, and that the related operations of companies and the domestic market will be supervised.

The participation of farm producers in the privatization of state food industry enterprises will be assured.

The privatization of the enterprises which for various reasons exist in a difficult financial situation but have a promising production potential serving to meet the requirements of efficiency and competitiveness in the future will be conducted concurrently with their financial restructuring. At these enterprises such restructuring will consist in transforming them into commercial-law companies and exchanging part of their debt for stocks

and bonds accepted by banks and creditors. Treasury shares in these enterprises will be sold after restructuring and the implementation of an agreed-upon recovery program.

The transformations of food-industry enterprises will be moreover carried out in accordance with three additional principles:

- Limitations on the scope of application of such forms of privatization as lead to contracting financial obligations payable from future company profits.
- Preferences for participation in privatization, to be granted to such domestic strategic investors and capital groups as are likely to bring about the formation of economically strong and capitalization-linked groups of enterprises capable of being competitive on foreign markets.
- The participation of foreign companies in privatization will be sponsored and supported chiefly for the enterprises at which an influx of foreign capital would accelerate modernization processes, open new prospects for sales on foreign markets, and streamline management and marketing.

Operations on Agricultural and Food Markets

Scope and Scale of Intervention by the Farm Market Agency

A characteristic feature of the food sector is considerable market fluctuations due to seasonal variations and the business cycle. They affect very strongly and adversely the economic situation of the concerned parties, destabilizing the domestic market and necessitating periodic imports of food. This is to a large extent due to the difficult financial situation of agricultural and food processing enterprises, the inadequate development of market infrastructure, the paucity of information, and the shortage of big wholesalers. The Farm Market Agency thus must act as a substitute for all these absent factors and fill the gap in the development of the market infrastructure.

To restrict fluctuations of the market situation, the agency will take institutional steps to bring about changes in the inventory funding policy and operate more economically. Above all, the requirement of raising the level of government food stockpiles will be introduced. At the same time the principle of competitive bidding for the right to store and handle inventories will be introduced.

The agency will set aside funds for market intervention, on the premise of complete refunding of budget allocations, upon utilizing the business cycle and seasonal variations in prices and supply. However, interventions consonant with government decisions also are expected, and that means possible operation in the red.

Pursuant to the government's pledges given in connection with the ASAL loan from the World Bank, the

agency will endeavor to engage in commercial activities with the participation of private companies.

The extent of direct forms of government intervention in trade by means of procurements will gradually diminish in favor of indirect forms such as loan guarantees, the financing of inventories stockpiled by companies, and the advance crediting of transactions involving on-schedule shipments.

Changes in the agency's organizational structure and financing will be introduced. Its official superiors in the government will plan and coordinate its operations, monitor foreign trade in foods and supervise the agency's activities as a whole. Responsibility for the management of stockpiles and government intervention will be transferred to Regional Farm Market Agencies (RARR). A system for assessing the economic performance of the RARR will be developed, on assuming that their operating effectiveness will keep improving.

The decentralization of the agency's operational functions will serve to adapt its activities better to the varying market conditions in discrete regions of this country. Regional offices of the agency will contribute to translating into reality regional economic development plans. The government will endeavor to restrict the agency's role in measure with the growth of institutions of the market infrastructure.

Wholesale Trade and Commodity Markets

Wholesalers and commodity markets handle the servicing of exchange processes relating to information, finance (including risk insurance), communications, transportation, warehousing, promotion, market research, standardization, and other services. Another function of wholesale markets is price stabilization, which occurs through, among other things, concentration, standardization, and adaptation of the variety of products to commercial demand in order to satisfy the needs of consumers.

The organizers of and shareowners in wholesale and commodity markets will be physical persons (chiefly producers associated in consortiums, joint stock companies, and branch associations of farmers), as well as trader organizations, foreign trade firms, commercial banks, etc. There exists many local initiatives with the Polish Chamber of Farm Producers and Exporters exercising patronage over quite a few of them, while others are assisted by the ODR's (Agricultural Counseling Centers) and agricultural schools. It is advisable for the Farm Market Agency to help in sponsoring these initiatives and fund them from the budget on the principle of coparticipation (contributions of assets, capital, and the like). This affords an opportunity for joint procurement of investment capital.

Support for the expansion of wholesale trade and commodity markets will be preceded by:

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- Definition of guidelines for determining the fees for the use of wholesale markets (it is generally assumed that these markets will derive their income from fees collected for leased space, and the expected profits will be assigned for the development and expansion of the scope of their activities).
- Determination of licensing requirements for agents and brokerage offices.
- Introduction of trading standards.
- Participation of the state budget in financing the training of sworn experts on trade in agricultural commodities.
- Establishment of a network of laboratories authorized to resolve disputes on commodity classification. At present such activities are funded from the budget of the KBN and from the foreign aid funds granted for restructuring. It is expected that the ministry of agriculture will retain the power to control them.

Experts will develop an independent diagnosis of the situation in wholesale trade and commodity markets. This will serve to:

- Keep a record of local initiatives.
- Explore local funding needs.
- Utilize the opinions of domestic and foreign experts (on, among other things, the effectiveness of existing and model logistical solutions, the conduct of market research, the introduction of commodity standardization, and so forth).

The related changes will be of an evolutionary nature; the government intends to avoid attempts at any administrative fiat introducing a single "optimal model." The situation in different regions of Poland is not the same and sponsoring all local and subsector solutions is needed.

Market Information

Precise and prompt information on the trends occurring on individual commodity markets can be utilized to, among other things, reduce supply fluctuations and hence also prices.

In Poland there is no unified national system of information on the agricultural market, while the seven existing disparate systems (those of the PISiPAR [State Inspectorate of Procurements and State Agricultural Administration], the GUS [Main Statistical Administration], the Agency for Regional Development, the Agricultural Counseling Centers, the Ministry of Agriculture and Food Economy, the Central Planning Office, and the Ministry of Finance) cost the state budget substantial funds. The Ministry of Agriculture and Food Economy will establish an information center on the agricultural market which will serve to reduce these expenditures and streamline the system. The cost of establishing that

center will be defrayed from aid funds. The center will be funded from the state budget. It will provide information on principal groups of agricultural and food commodities. The market reports will contain price notations, size of demand and supply, and information on foreign transactions.

Information services on specific markets (mushrooms, black currants, mutton on hoof, etc.) should be organized (on a fee-paid basis) by producer associations or private enterprises.

Quality of Agricultural Raw Materials and Food

The overall quality of Polish food is good and very good. "A Pilot Study of the Pollution and Contamination of Farmland, Agricultural Raw Materials, and Foods in the Years 1989-92" was published in 1993. The findings of similar studies will be made available to importers of Polish food and the general public as well. The monitoring will encompass all product groups. In several regions, chiefly owing to environmental contamination (Katowice, Krakow, and Legnica voivodships), regional food research centers will be organized. The work serving to improve the health quality of food products will utilize the experience of the State Laboratory of Hygiene and the Institute of Food and Nutrition.

Improvements in the quality of domestic agricultural and food products will be made possible by the introduction of commodity standards corresponding to both commercial practice and international requirements (ISO 9000, European Union standards).

Standardization work will be handled on commercial principles by private institutions, which will be licensed by the minister of agriculture and food economy. As for the government standardization centers, these will monitor the updating and expansion of the training of experts and the granting of licenses for standardization work. The broadening of the standardization of domestically traded commodities will be assisted by the experience of the Central Standardization Inspectorate.

It is indispensable that a group of producers coping with the demand for high-trade foods, including foods produced by ecological methods, be formed. Since the quality of food depends on, among other things, the genetic properties of plant varieties and animal breeds, as well as on good agricultural practices and proper storage, the following measures will be taken:

- The breeding of suitable crop varieties and refinement of animal breeds will be subsidized with budget funds (so-called budget objectives) to a greater extent than previously.
- Studies of the suitability of new systems of agricultural production (integrated and ecological agriculture) to Polish natural, social, and economic conditions will be intensified.

- Curriculums of instruction at agricultural schools and the counseling programs pursued by the Agricultural Counseling Centers will devote more space to problems of the quality of agricultural raw materials, with special consideration of the role of their storage.

Considerable attention should also be focused on obtaining top-quality nonfood products of agricultural origin, e.g., herbs.

Science, Education, and Agricultural Counseling

Agricultural Research

Agricultural research, which assures an effective and rapid application of science to practice and an efficient provision of information on problems requiring scientific solution, necessitates taking such measures as:

- The appointment of a noninstitutional interministerial taskforce for channeling and concentrating agricultural research on policy priorities with regard to the countryside, agriculture, and food economy, when such research is performed by R&D units subordinated to individual ministries. This taskforce, consisting of representatives of science, administration, and agricultural practitioners, will be an advisory and opinionmaking group under the minister of agriculture and food economy. The related research will be funded with monies allocated for the statutory operations of the R&D units of the Ministry of Agriculture and Food Economy as well as with funds for sponsoring commissioned research projects, for which the allocation procedure and timetable will be adapted to the anticipated pace of the solutions. The work of that coordinating taskforce will be assisted by the activation, at the Central Library of Agriculture, of a national system for information on agricultural research, pursuant to an agreement among the KEN [Club of Independent Experts], the Polish Academy of Sciences, the Ministry of Agriculture and Food Economy, the Ministry of National Education, and the Ministry of Environmental Protection, Natural Resources, and Forestry.
- Initiation, jointly with the ministries engaging in agricultural research, of steps intended to reorganize the network of institutes and especially their experimental bases. This work will be preceded by an executive order to be issued by the Council of Ministers on specific guidelines and procedure for the mergers, breakups, reorganization, and shutdowns of R&D units as well as by amending the Law on Research and Development Units and on the Committee for Scientific Research.
- Assignment of funds for sponsoring the dissemination, on utilizing agricultural counseling services, of research findings linked to the priorities of social and economic policy on the countryside and agriculture.
- By the year 2000 science (and not just agricultural science) will join in the solution of many problems of

the utilization of agricultural raw materials for non-food purposes. This may affect greatly the growth of farm output and hence also spur a boom on the farms. This would also result in the creation of many new jobs at plants processing agricultural raw materials for industrial purposes.

Agricultural Education

Demographic forecasts indicate that in 1995-2000 elementary school enrollment will diminish by 20,000 annually. At the same time the number of young people in the 14-18 age group will increase by about 20,000 to 40,000 annually. Thus it is necessary to modernize the school system and preserve appropriate proportions in the apportionment of funds between elementary and secondary schooling. In vocational schools new curriculums of instruction will be introduced so as to allow for schooling in directions consonant with regional needs. The art of managing a farm as a private enterprise will be increasingly taught. Youth will also gain the possibility of being cross-trained in basic skills in an allied occupation related to rural and agricultural services. The number of basic vocational schools will decline in favor of schools providing a complete secondary education.

It is highly important to provide students with the conditions needed for the practical learning of an occupation. While the network of school-operated auxiliary farms will not be expanded, it will be improved. Regional vocational training centers accessible to students from various schools (financed with aid funds) will be opened. On-the-job training will teach students to operate prosperous family farms in the future. The dissemination of this form of practical learning of an occupation requires proper pedagogical briefing of farm owners and the determination of the legal and economic guidelines for their cooperation with the vocational schools.

Relations between agricultural schools and agricultural counseling centers will be strengthened and various forms of adult education, including continuing education, will be developed. Agricultural schools will actively participate in retraining the rural jobless. The network and forms of agricultural schools will be closely related to regional needs. New regulations will be introduced, such as amendments to the law on the educational system and modernization of secondary vocational schooling, as well as an executive order of the Council of Ministers transferring to voivodes [province governors] the jurisdiction over certain matters relating to the administration of agricultural schools and the food economy.

Agricultural Counseling

A longrange program for training counselors will be made possible by foreign aid funds. Here a special role is played by the Polish-American Agricultural Counseling Program, funded by the U.S. Government. The forms and methods of work introduced several years ago by

American partners have already proved their worth, as demonstrated by major qualitative changes in the performance of the counseling. That is because in the period of transition to a market economy providing farmers with knowledge on the mechanisms of commodity and financial transactions is becoming especially important. The counselors were trained in marketing, preparation of business plans, and agricultural accounting. Similar training will be organized in the preparation of programs for gmina economic development programs and rural infrastructure. These new objectives as well as cooperation with rural local governments will absorb an increasingly greater share of the operations of agricultural counseling. Cooperation between that counseling and agricultural schools will be expanded, which should markedly facilitate and accelerate the flow of information as well as elevate the level of instruction in vocational subjects owing to regular contact with latest achievements of science.

Ecological Policy

The protection of farmland and improvement in the quality of the food produced require in the next few years integrating agricultural policy with environmental protection. As adopted by the government, the "Ecological Policy of the State" program and the international conventions and agreements signed by Poland impose on the agricultural and food economy the obligation of reducing the sources of pollution caused by agriculture.

Accomplishing this objective necessitates:

- Protecting agriculture against the consequences of ecological degradation caused by nonagricultural branches of the economy (development of principles for the agricultural use of extensively polluted areas, exclusion of contaminated soils from agricultural production, introduction of laws protecting arable land).
- Eliminating the consequences of the acidification of soils by liming them optimally.
- Destruction of crop protectants whose shelf life has expired, and of their packagings.
- Implementation of investments in developing rural land and hence also in improving rural hygiene, and giving them a definite priority; once the second ASAL loan is made available, speedier expansion of the rural sewage and liquid waste treatment systems.
- Widespread promotion of the program for improving the purity of drinking water on farms.

The elimination of agricultural sources of pollution will facilitate implementing the decisions of the ministry of agriculture and food economy, made jointly with the Helsinki Commission's Baltic Sea Environmental Protection Committee, as regards carrying out a program for protecting the Baltic Sea environment.

Institutional conditions will be, jointly with the Ministry of Environmental Protection, Natural Resources, and

Forestry, afforded to promote afforestation and tree planting for timber in watershed areas and agriculturally marginal areas (altogether 230,000 hectares), inclusive of privately owned forests and forestry farms. These projects will take into account the need to counteract land erosion.

A major direction of improvements in crop and food quality and of positive influence of agricultural production on the environment is the formation and development of an ecological farming system. In consideration of external factors (the European Union's adoption of laws governing ecological farming and the requirements it poses to exports by third countries), the government will define the guidelines for ecological farming in Poland.

To this end the following measures will be taken:

- Adaptation of Polish institutional and legal system to the guidelines of the ecological policy of the European Union (laboratory certification, preparation of certifying units, and so forth).
- Financial support for farms converting to ecological production.
- Promotion and organization of the distribution of ecological products.

Development of Autonomous Agricultural Associations

Farm Cooperatives

In every developed country cooperatives play a major role in agriculture, and periods of their greatest growth always coincide with periods of economic depression on the farms. Cooperative forms of cooperation among farmers can effectively counteract problems in marketing farm products and help make farmers independent of the not always trustworthy decisions of traders. The establishment of cooperatives should be particularly advantageous in regions with high concentrations of small and medium-sized farms and low investment capabilities, which explore additional sources of income. In some localities this is already being grasped, as demonstrated by the formation of cooperatives on the initiative of small groups of farmers with similar interests. They engage in sales and processing of produce, chiefly fruits, vegetables, and milk.

The changes in farm cooperatives are to be intensified by means of:

- New laws defining the rights of members to the entirety of the cooperative assets they generate, and in the event a cooperative is disbanded, augmenting the operational powers of its management.
- Support of the formation of legal entities by cooperatives with the object of securing the advantages deriving from the inclusion of new elements of the agricultural and food sector and thereby also new sources of income.

- Establishment of a professional inspection system within cooperatives along with a system of training for the professional and civic management of cooperatives, to be partially supported by gratis services of Regional Centers of Cooperative Services (as yet financed with aid funds).
- Access of cooperatives to all forms of preferential economic policy on the same terms as those binding private producers.
- Inclusion of cooperatives in the government-supported development model for market infrastructure, along with other organizations creating vertical integration links among producers, the market, and processing.
- Support for the establishment of cooperatives providing rural services, including social services (health care, preschools, and so forth).

Cooperative Banks

Cooperative banks will be a common form of institutions providing financial services for the enterprises of the agricultural and food sector. Their current financial situation is definitely unsatisfactory, but several hundred of these banks already are introducing recovery programs. A factor that may facilitate the survival of many of these banks is the decisions of the NBP (National Bank of Poland) chairman and the minister of finance to classify part of bank reserves as operating expenses and to postpone the deadline for establishing targeted reserves. Even so it is to be expected that bankruptcies of cooperative banks in 1995 will continue. Implementing the program for restructuring the "bad loan portfolio" at these banks will require some 3-3.5 trillion zlotys [Z].

In view of the importance of the banking sector to an effective pursuit of agricultural policy, interim and long-range measures will be taken. These banks have the following possibilities:

- Engaging in autonomous operations.
- Associating themselves with a regional bank.
- Mergers with other banks, including banks outside the food sector.
- Change of status (e.g., regional savings and loan associations).

Autonomous operation is in practice feasible only at several cooperative banks serving craftsmen and truck gardeners. The principal obstacle is shortage of capital. The deep crisis in which cooperative banks and the Bank of Food Industry exist and the ineffectiveness of the initiatives taken so far by cooperatives will require the restructuring of these banks by means of legal and administrative decisions. Under the prepared draft of a law on reforming cooperative banks and the Food Industry Bank, a triple-tier structure of these banks will

be established, upon preserving cooperative principles (autonomy and self-government).

Improvements in the performance of bank cooperatives will be assured by:

- Concurrent restructuring of the Bank of Food Industry, the cooperative banks, and the already existing regional banks.
- Preservation of genuine influence of shareholders on the operations of their banks and of the higher-level banking structures and the introduction of safeguards of financial accountability for the results achieved by the banks.
- Provision of conditions for the integration of cooperative banks with the Polish banking system as a whole as well as with financial markets.
- Uniform siting of banks throughout national territory.

Farmers Trade Unions and Associations

Independently of local governments (gmina councils), various organizations of farmers exist in the countryside, such as agricultural circles, circles of rural housewives, farm subsector associations and their unions, unions of farmers and agricultural circles and organizations, and several trade unions. As economic growth stabilizes, the importance of all forms of specialized associations, including subsector unions, will increase. As they gain current marketing and technological knowledge about their particular subsectors, and about optimal organizational solutions, these organizations will provide increasingly stronger support to specialized farm producers. They will participate in the formation of autonomous associations of farmers; lately, by virtue of the provisions of the Law on Business Chambers and the Law on Associations, 25 chambers of agriculture or of agriculture and industry have been established and are operating in the voivodships. A major role in establishing them has been played by properly trained farm producers.

The large number of the related organizations and the attendant problem of coordination complicate resolving the occupational and economic problems of the countryside and agriculture. Public demand for unified representation of the countryside and agriculture has prompted the Ministry of Agriculture and Food Economy to revise its draft of the law on chambers of agriculture. In 1994 that draft will be considered by the Polish Sejm.

The draft law on chambers of agriculture provides that:

- The purpose of a chamber will be to represent broadly conceived farm interests and to accomplish that by carrying out its own projects as well as the objectives recommended by the government administration.

- The members of a chamber will be physical persons and legal entities paying the farm tax or the income tax on particular domains of farm production.
- The chambers will be legal entities and the scope of their activities will encompass discrete voivodships; furthermore, they will form a national representation.
- The chambers will be established on voluntary principles (provided that at least 30 percent of those taking part in the elections are taxpayers), but once a chamber is established, membership therein will be obligatory.
- The funding source of a chamber will be deductions from the farm tax plus income from commissioned and own activities.
- Supervision over the activities of the chambers will be entrusted to the minister of agriculture and food economy, but supervision over their financial management will be exercised by the minister of finance.

Basic Domains of Legislative Activity and Tax-Policy Intentions

Legislation

In 1944 the following new or amended laws will be prepared for consideration by the Sejm:

- Law on legal regulation of business operations relating to the production of and trade in alcohol and alcoholic beverages.
- Sugar law, which will regulate the production of and trade in sugar as well as the licensing of sugar production.
- Law on chambers of agriculture, which will make possible the formation of a unified representation of autonomous organizations of farmers.
- Cooperative law, regulating basic aspects of the organization and functioning of rural cooperatives.
- Law on protecting farmland and forested areas which will replace the existing Law of 1982 upon introducing more effective protection of farming areas as well as protection against pollution and soil contamination.
- Law on crop protection, which will provide legal foundations for protecting crops against losses due to harmful organisms and strengthen the personal safety of individuals applying crop protectants as well as protect consumers against harmful pesticides and environmental pollution.
- Seed law, regulating the breeding and certification of crop varieties and the production, sales, prices, and monitoring of seed materials; this law will allow for the pertinent regulations of the European Union and those ensuing from the 1991 UPOV Act of Convention.

—Law on supervision of livestock breeding, which regulates aspects of the breeding and propagation of livestock and defines the modes of government supervision of these activities.

In the next three years the following proposals of legal regulations will be drafted:

- Amending of existing and drafting of new laws dealing with the complex whole of aspects of rural and farm development.
- Drafting of legal acts concerning, among other rights, the feed law and ecological farming, as modeled on the regulations applying in West Europe.
- Continuation of work on drafting Polish food laws harmonized with the provisions of the FAO/WHO Food Code and the regulations binding in the European Union.

The Ministry of Agriculture and Food Economy is also very interested in drafting a law on commodity exchanges (which will also introduce legal regulations of agricultural exchanges), restructuring cooperative banks and the Bank of Food Industry, and laws on the use and conservation of inland waters. The assumption is that by 1997 most of the legal regulations dealing with the countryside, agriculture, and the food economy and adapting our legal solutions to those binding in the European Union will be worked out.

Changes in Tax Policy

The agricultural taxation system will be reformed, because the currently mandatory farm tax and income tax on special occupations are ceasing, as time goes on, to fit in with the operating mode of the market economy and the changes occurring in agriculture. The fiscal policy of the government will be oriented to either:

- A gradual adaptation of the tax system to the specific features of farm production; at present this system is geared chiefly to nonagricultural enterprises, which means that an income tax is levied on farms and a value-added tax on farm products, the latter eventually at the rate of 7 percent, and partially even 0 percent for unprocessed food. This may mean at the same time that the basic tax rate is levied on agricultural services and on means of production serving agriculture.

Or:

- A cadastral tax alone is levied on agricultural real estate; such a tax is currently being drafted.

In either case this will result in restricting or eliminating the farm tax.

Since the development of agriculture tends in the direction of greater competitiveness, and principally of expanding crop exports, the evolution of the tax system outlined in the former alternative will be preferred. A

gradual introduction of these changes is to be expected. Only the larger and better-managed farms will convert to the new tax system, while the smaller farms will be given a choice of which tax to pay. The introduction of new tax principles would have to be accompanied by marked preferences in credit policy, tax relief, etc., for the farms and enterprises switching to the new tax system. Those which are not ready to switch to that system should be allowed to choose instead a simplified tax system close to the one currently mandatory. The decision on the final shape of agricultural tax policy will hinge on the nature and pace of introduction of the government's other instruments of fiscal and agricultural policy, and the scope of the modifications will depend on the results of many analyses and consultations of the affected constituencies which will accompany the formation of the state's fiscal policy.

The tax system for enterprises will not be extended to the agricultural processing industry, and at the same time many preferences will be granted to promote a faster growth of that industry.

Prospects for Foreign Trade in Agricultural Commodities

The European Union and Agreements with the CEFTA

Agreements determining the future of our economic relations with the countries of West Europe (European Union, CEFTA, an agreement with EFTA countries) and with those of the Visegrad Group display, despite differing specific solutions, certain basic features in common, namely:

- Their provisions take effect gradually, over a varying period of time (though in principle not longer than 10 years).
- Once the agreements between Poland and all the other signatories fully take effect, a free trade zone in manufactured goods will be established.
- The free trade zone will not include farm commodities.

Trade in farm commodities will be subject to the same restrictions as trade with the other GATT member countries. Exceptions from this principle—easier access of certain farm commodities to the market—are specified in detail in the protocols to these agreements.

Once the agreements take full effect, Poland's economy will be tied to the countries of West Europe and those of the Visegrad Group in an asymmetrical manner, and trade liberalization will be of a limited and meticulously monitored nature.

It is estimated that Polish exports to West European countries are (and will remain) difficult, chiefly owing to the high prices of domestic products, which often exceed world prices, with allowance or the possibilities of various kinds of subsidies. Even so, certain farm groups should expect stabilization and growth in foreign

demand for their products (chiefly young fattening livestock, sheep, geese, and certain fruits and vegetables).

There exist definite prospects for selling on West European markets greater quantities of such products as rape, pulse crops, pasture crops, and molasses. In addition, there is the possibility of increasing sheep exports by 50 percent compared with 1991, as well as exports of other products. It should be emphasized that every export item, no matter how small, is important, especially if that results in an improved balance of foreign trade and improved incomes of at least a small group of producers. Hence, the possibilities for marketing other products will be intensively explored.

Some measures taken by the European Union recently have been such as to offer to other countries of Central-East Europe (Romania, Bulgaria) the same access to markets as that available to Poland. This may result in "diluting" our position and hence their actual extent should be constantly monitored so as to take appropriate action as the need arises.

The research taskforce appointed in 1994 is preparing data on:

- A system for introducing the MOB (duties on farm products contained in processed food products).
- Revisions of appendices to the first part of the [EU] association agreement (in connection with the acceptance of the GATT's Uruguay Round by Poland and the European Union and the association of most EFTA countries with the European Union).
- [Revision of] the second part of the EU association agreement.

Relations With EFTA Countries and Promotion on New Markets

EFTA countries are, after the European Union, the second most important European partner in Poland's foreign trade (accounting for some 10 percent of Poland's exports of farm commodities). Trade relations with these countries are defined by multilateral agreements (on manufactured goods, fish, and processed fish and other foods) as well as by bilateral agreements on trade in farm commodities. In the case of processed farm products EFTA countries will, with the exception of Austria, once the agreement takes effect, treat imports from Poland as imports from the European Union. This means total abolition of duties on agricultural products. Poland has pledged itself to grant EFTA countries concessions for processed farm products on the same principles as for the European Union.

Bilateral agricultural agreements with EFTA countries contain general principles of scientific and technical cooperation in agriculture. All such agreements contain a clause on the freedom of formation of Polish agricultural policy. Another integral part of these agreements lists of

farm commodities concerning which reciprocal concessions were granted, along with their quotas. Reciprocal concessions were agreed upon only with Sweden and Austria. Poland has granted no concessions to the other EFTA countries (Switzerland, Norway, Finland, Iceland). It has however gained unilateral and easier access to the markets of these countries.

It is expected that in the next few years agricultural exports to the markets of EFTA countries can be increased by about 15 percent. There exist, however, definite prospects that some EFTA countries (Austria, Sweden, Norway, and Finland) may join the European Union, which may affect adversely our export possibilities as regards farm commodities. The government will make efforts to preserve these possibilities.

The government will engage in promotional drives on other markets, inclusive of Japan and other Far Eastern countries as well as Arab countries. For example, the promotional program funded by a Japanese company, Jetro, since 1993 has by now unlocked initial prospects for exporting processed fruits and meat to Japan, with chances for substantial further growth. Promotional drives will be launched in many countries. This will be assisted by our participation in the trade fairs at which we have been absent in the past, as well as by the further growth of the POLAGRA Polish International Farming and Industry Trade Fair, which in the years 1990-93 grew to become the third largest fair of its kind in Europe, with exhibitors from 30 countries attending each year.

Agreements Concluded Under GATT

As adopted on 15 December 1993, the agreement under the Uruguay Round of the GATT postulates that, on the effective date of the agreement, access to markets will be regulated solely by means of customs duties. This will enhance the transparency and stability of the terms of foreign trade. The application of quality and phytosanitary standards will moreover be tightened, as will be their monitoring.

Markets under import quotas will be opened. Most quotas will correspond to quantities greater than two indicators—average imports during 1986-88 or 3-5 percent of domestic consumption. The thus defined preferential imports will apply to all our partners under the existing agreements.

In the perspective of the year 2000 duties will be reduced by 36 percent (compared with 1986-88). Also reduced will be export subsidies (likewise by 36 percent), the volume of subsidized exports (by 21 percent) and subsidies for increasing farm output (by 20 percent).

Poland's signing of the declaration accepting the Uruguay Round means that, in addition to duties, countervailing fees can be still levied until mid-1995. However, their overall scope and extent cannot exceed the duty rates previously reported for the GATT.

Under the GATT agreement, however, the so-called safety clause will apply until 2000; this clause will make it possible to resort to special measures (fees of the safeguard kind) in the event of an inflow of merchandise cheaper than the average prices paid for the same imported goods in the last three years.

Thus, a slight increase in exports can be expected as a result of the GATT agreement. For example, access to the European Union market will increase for such products as meat, poultry, powdered milk, processed dairy products, and eggs. Also possible will be an increase in exports of mushrooms, edible potatoes, vegetables (pulses, spinach, onion, carrots, celery) and, to a lesser extent, fruits. As for the other products, their access to the Union's countries will remain at a level close to the present one.

The Polish bid to the Round does not restrict the possibilities for increasing agricultural subsidies. It declares a relatively limited opening of the domestic market to imports of farm commodities and the maintenance of duty rates (protecting the domestic market) at a level not lower than that declared by the EC.

Exports to Countries of the Former USSR—Appraisal of Prospects

The premises of the economic policy of the Russian Federation, as well as of the other countries of the former USSR, consisting chiefly in abandonment of centralized imports and hence also of the attendant preferences, impose a difficult situation in mutual contacts. As regards the Russian Federation, the Polish export offer will thus be addressed to regional authorities in the areas distant from the center. Our exhibitors will be more often present at regional fairs, which are more attractive to potential trade partners (also because of lower costs of participation).

More attention will be paid to sales markets in the Central Asian countries and the Transcaucasus. These countries specialize in the extraction of materials or in agricultural production and had been oriented to supplying other regions of the former USSR with selected products, and hence at present they are incapable of meeting their market needs. It should be borne in mind, however, that in these countries, despite the new liberalization of their foreign trade, shortages of foreign exchange mean that the state still plays a dominant role.

Along with its endeavors to develop trade contacts, the Polish side will pay special attention to production quality and the promotion of Polish farm commodities, especially those for which there is a chance to cope with the growing competition and become Polish export specialties, and to adapting the Polish export offer to discrete eastern markets.

On 15 March 1994 Russia launched the policy of protecting its own farm production and trade balance by introducing 15-25 percent duties on imports of farm

commodities. This may presage that country's joining the GATT, which would complicate our agricultural exports. It is thus necessary to begin active attempts within the GATT to protect our export interests on the Russian market.

Expanding its network of treaty agreements, the Polish government will fill the gap that arose with the collapse of the USSR. This will revive the contacts between enterprises in Poland and these countries. A concept of development of trade and cooperation with the countries of East Europe, and especially a system of export safeguards and insurance, will be worked out.

Although the markets of the countries of the former USSR are not easy, Polish agricultural exports to that region may produce considerable effects. The program for developing these exports will allow for competition from highly developed countries, especially those of West Europe and North America.

It will be an objective of Polish export policy until 2000 to expand the share of food exports to the countries of the former USSR to about 50 percent of the value of overall exports to them.

Directions of Specialization of Polish Agriculture and Food Industry

A simulation model constructed with allowance for the expected situation in 2000 (according to the Institute of Agricultural and Food Economics) points to the following production and export possibilities of Polish agriculture:

Wheat: Real prices for producers may increase 16 percent by the year 2000, which should result in an increase in output by more than 3 percent and a decrease in consumption by 4 percent. In this connection, Poland will be able to export certain quantities of wheat.

Feed Grains: Prices for producers may increase by 15 percent. The output of these grains will increase by 1 percent, but demand for them will decline by 4 percent, which will make it possible to increase their exports by more than 0.7 million metric tons annually. However, Poland will remain a net importer of feed corn.

Potatoes: The production and consumption of that crop will remain close to its present level.

Rape and Oils: World prices of rape seeds will not change, and rape oil output may remain on a much higher level. This is chiefly due to the worldwide growth in the supply of rape seeds and other oleaginous crops. The marked increase in the consumption of vegetable oils and fats which took place in recent years may, however, prompt further increases in their prices. This requires paying attention to improvements in the organization of procurements, recruiting more planters, and keeping the cultivation of that crop [rape] at a level of profitability competing with that of grains (chiefly wheat). These measures are necessary in order that rape

output may satisfy domestic demand and still be exported. An opportunity for improving the demand for rape may be afforded by introducing technologies for processing that crop for nonfood purposes.

Sugar: No major changes will take place on the sugar market in Poland (compared with its present status).

Meat (Beef, Pork, Poultry, Mutton): Higher grain prices will add to the cost of livestock fattening, but even so only the prices of beef and poultry will increase. The program for expanding the raising of slaughter cattle, to be introduced in 1995, should result in a larger cattle population in the final years of the century, thus enhancing our export opportunities. As for the prices of pork and mutton, these will remain unchanged, chiefly owing to their substitution with cheaper poultry meat. In this connection, sales of poultry meat should evolve satisfactorily.

Eggs: Egg prices may increase by 33 percent, thus resulting in an 8-percent increase in output and a 12-percent decline in domestic consumption, and hence egg exports will be feasible.

Dairy Products (Powdered Milk, Cheeses, Butter): Production, consumption, and prices will remain unchanged. It is likely that Poland will be an importer of butter and an exporter of powdered milk and cheeses. Measures to reduce butter production costs will be taken, in order to reduce the real danger of butter imports under the open-market quotas in 2000.

Poland is and can be one of Europe's biggest producers and exporters of strawberries and other berry fruits, onions and other vegetables, and also calves, horses, apples, lupine, buckwheat, and children's food supplements.

There exist growing opportunities for exports of herbs and plants for medicinal and cosmetic purposes and to be used as condiments. In animal production too we should focus on narrow specializations, e.g., the raising and exportation of pheasants and guinea hens (for meat and eggs). The expansion of such production would require some outlays on marketing research in the world market as well as promotion of eventual exports.

Our territory as a whole is much less polluted by industry and agriculture itself than in most EU countries. This warrants serious consideration of possibilities for the specialization of Polish agriculture in ecological production. Certain negative trends revealed by this simulation model may be limited if the program for utilizing agricultural raw materials for nonfood purposes will be developed successfully and rapidly. An opportunity is also afforded by the program for the adaptation of world achievements and our own scientific research in new attractive forms of food products.

Other Directions of Activity

Regional Policy

The course so far of the processes of economic transformation and their social consequences vary regionally,

sometimes quite extensively. This is due not only to the business cycle but to the historically evolved social and economic structures of individual regions. This also is a factor in the varying degree of adaptability of individual regions to the new economic conditions.

These regional differences may continue to widen. Even now the voivodships in which economic growth is tardy, dominated by inefficient farming, having a poor technical infrastructure, and employing workers with relatively low skills, can be distinguished.

Hence, farm policy should focus on narrowing the existing regional differences, promoting the rise of efficient economic structures, supporting the growth of technical and social infrastructure, and alleviating socially painful consequences of the transformations.

In the next few years regional farm policy will be oriented toward supporting projects for spurring the revival of regions with low personal incomes and high unemployment, and chiefly:

- The northeastern regions, where the projects to be sponsored will be principally those (e.g., tourism, biodynamic farming) utilizing the aspects of natural environment.
- The regions heretofore dominated by state farming (Elblag, Koszalin, Olsztyn, Slupsk, and partially Gdansk, Gorzow, Pila, Suwalki, and Szczecin voivodships), in which the initiation of public works is envisaged in such domains as afforestation, environmental protection, road construction, and other public works providing employment for the crews of former state farms; organization of intensive forms of fattening slaughter cattle, horse raising, etc.
- Regions of southeastern and partially central Poland with high agrarian overpopulation, where labor-intensive but effective, from the standpoint of exports, orientations of agricultural production and corresponding agricultural and food processing operations will be sponsored.

Opportunities for development will also be afforded to the regions to be crossed by superhighways. The construction of 1 kilometer of a superhighway will require employing about 70 persons for a year. Such construction will require gravel, sand, prefabricated concrete components, road signage, etc., which will require employing four times as many people as are needed to build the superhighway itself. In all the regions, though to a varying degree, jobs will be created due to the development of rural infrastructure and utilities.

Along with superhighway construction, service stations for travelers will arise (gasoline stations, restaurants, motels, garages) as well as superhighway servicing itself (road services, toll-takers, and so forth). The related employment will average about 700 persons per superhighway kilometer.

Social and economic processes in discrete regions will be monitored with the object of identifying the areas requiring state intervention.

The expediency of reactivating the revised Resolution No. 4 of 21 January 1985 of the Council of Ministers Concerning the Economic and Social Activation and Agricultural Development of Montane and Piedmont Regions, in which at present farming is dying, will be considered. A pertinent model of farming in these regions might combine forestry operations with farm management limiting soil erosion. In many of these regions tourism will be an additional source of income.

However, the biggest opportunities for continuing employment demand will be provided by the investments undertaken by new enterprises (a high 6-percent annual rate of such investments is envisaged). There exist possibilities for siting them in or around rural centers owing to the relatively low cost and considerable availability of rural manpower, greater investment preferences and tax relief, the use of Labor Fund monies for occupational activation, and the favorable attitude of local authorities.

A major role in attracting investments will be played by the proactivism and resourcefulness of local communities, that is, by the programs for economic growth developed by the individual gminas, as well as by the regional farm policy.

Local branches of the Treasury Agency for Farm Property and the Farm Market Agency as well as R&D units (especially the ODR's [Agricultural Counseling Centers]) will participate in the drafting and implementation of regional programs and plans. Owing to such united efforts there is a chance that regional economic growth will accelerate as early as in the years 1966-67.

Social Insurance and the Social Infrastructure of the Countryside

Longrange demographic forecasts indicate that in 2000 about 2 million persons will be receiving old-age pension and annuity payments from the farmers' social insurance system. Proper servicing of such a number of recipients will require organizational and personnel improvements within the Farmers' Social Insurance Administration (KRUS). This objective is to be promoted by, among other things, the establishment of the KRUS's own department for ruling on the eligibility of applicants for disability pensions, which will make it independent of the ZUS (Social Insurance Administration) and markedly accelerate the procedure for granting disability benefits. Also envisaged are separate legal regulations for farmers who operate their farms with the aid of hired labor. That is because the situation of such persons does not differ from that of business entrepreneurs who are covered by a separate social insurance system.

In the years 1994-2000 a voluntary old-age pension system will arise and steps will be taken to assure

preventive and occupational health care and rehabilitation. The existing substantial participation of the state budget in funding farmers' social insurance and pursuing a specific policy on agriculture should be retained. That is because this also exercises functions other than providing social security, since it promotes generational change in farming. The annuity system will also be reviewed for the nation as a whole.

Of basic importance to the growth of social infrastructure in the countryside in the perspective of the year 2000 is the state's social policy, including a skillful utilization of the proactivism of rural communities. The development of various elements of rural social infrastructure will be assisted by:

- Adequate adjustments of the status of educational and cultural facilities in terms of both funding and management. This should contribute to the quality of the services provided by these facilities and restrict or eliminate the threat of their shutdowns.
- Planned introduction of a universal health insurance system, along with rational principles of the financing of health care; accomplishing this project will make possible the stabilization of existing rural health care and public assistance centers and the establishment of new ones.

To improve rural health care, the measures to be taken will be intended to:

- Introduce and develop a health service based on various modes of ownership (state, community, private, cooperative, foundations, companies, denominational unions, and so forth).
- Transfer to local governments (gminas) of jurisdiction over the organization of health care for their populations, and of the handling of [state-]commissioned assignments.
- Assist local governments in improving the quality of medical services (licensing systems, determination of the scope of services, obligatory training).
- Develop standards for required medical equipment and devices at rural health care centers.
- Expand the scope of services by developing a rehabilitation base.
- Improve the conditions of diagnostic and laboratory testing.
- Introduce (where possible) a system of free choice of physicians.

Concluding Remarks

Accomplishing the objectives presented in this study within the next five years will result in:

- Emergence of 600,000-700,000 farms with growing assets which modernize their production potential; they will provide high-quality farm products at low production cost.
- Reactivation of the rural cooperative movement; the cooperatives will facilitate contacts with the market for the remaining farms while at the same time protecting their economic interests.
- Definite advances in the provision of rural water supply, telephones, and natural gas supply as well as in developing other elements of rural infrastructure.
- Channeling the operations of most of the existing food-industry enterprises in the direction of meeting the needs of domestic and foreign consumers (the principal concern of the enterprises will be to assure a high quality of their products and refine their marketing activities).
- Improving the methods of state intervention serving to restrict excessive business-cycle fluctuations on the domestic commodity market, a market which will also become easier to anticipate and thus facilitate investment decisions for potential investors.
- Exploiting the possibilities for exports of farm commodities, which will be promoted by better information on consumer needs in individual markets, improvements in product quality, and relatively low prices of the exported goods; a relatively lasting export specialization of our country is of a certainty arising.
- Alleviating the rural unemployment problem, which will be assisted by the expansion of rural infrastructure, the growth of the food industry, milder fluctuations of the market cycle, and intensified exports of Polish farm commodities.
- Advances in creating a market infrastructure (commodity exchanges, auctions, big wholesalers, and so forth).
- Implementing the second part of the association agreement with the European Union; major efforts by government agencies, enterprises, local governments, and producer associations are needed to continue the changes and bring about closer integration with the Union.

Pursuing the policy outlined in this document will require developing a method for assessing its effectiveness. Such criterions could be, e.g.: incomes of particular farm groups, extent of investment in farming and agricultural and food industry, balance of foreign trade in farm commodities, extent of rural sanitation, unemployment rate among occupationally active rural inhabitants, and index of changes in the prices of principal farm commodities.

An Outline of Changes in Farm Policy in 1994

Funding and the Pursuit of Farm Policy

Farm policy will be pursued by utilizing funds from the state budget, foreign loans, bank credit, local governments, and the operating capital of the enterprises themselves.

In drafting the 1994 budget there was limited freedom of choice. The draft budget was prepared under the pressure of limited receipts, growing needs for budgetary spending on civil service salaries and pensions, and the need to create stable financial conditions for enterprises and to increase state intervention in the transformation processes.

The budget envisages a faster growth of spending than of receipts and a deterioration in the ratio of spending to the gross national product (GNP) compared with 1993. This is due to the rising cost of servicing the public debt and the rising subsidies of social insurance. The share of these line items in the budget will amount to 36 percent (a 44-percent increase compared with 1993). The other spending will increase by 30 percent, that is, slower than receipts.

Budget outlays on agriculture and food economy are 37 percent higher than in 1993 and will total Z64 trillion, and their share in overall spending from the state budget will be 0.1 percent higher than in 1993.

The chief item is the subsidies for the KRUS (Farmers' Social Insurance Administration), totaling Z45.3 trillion, of which 45.2 trillion in subsidies for the Farmers' Retirement and Annuity Fund (FERR); this accounts for 6.5 percent of state budget spending and 70.1 percent of the line-item budget spending on agriculture. (Footnote) (Of which spending on the FERR will amount to Z45.18 trillion, with the remainder spent on KRUS services.)

Payments from the FERR will be a major part of rural personal incomes, especially in families operating small and medium-sized farms.

It is assumed that the increases in spending on other purposes (other than the subsidy for the KRUS) will vary and, compared with 1993, will be as follows:

- Subsidies for implementing so-called budget objectives (biological progress, agricultural counseling, control of infectious diseases of livestock, maintenance of hydrotechnical land reclamation, geodetic services, and the procurement and transportation of fertilizer lime) will, along with Z650 billion in subsidies for industrial lime (transferred to the Ministry of Agriculture and Food Economy from the budget of the Ministry of Industry and Commerce), total Z3.83 trillion (117 percent).
- Budget funds for payments supplementing the credits extended by the Agency for the Restructuring and Modernization of Agriculture (ARiMR), and funds from the World Bank ASAL adjustment loan for NSF

infrastructure with the payment for 1994 amounting to Z1.2 trillion (28 percent of the total funds of the ARiMR for 1994), will total Z2.5 trillion or, after allowance is made for repayment of previously extended loans, the interest rate earned on mandatory bank reserves, and the carryover balance from last year, a total of Z4.2 trillion (97 percent) (Footnote) (If the ASAL loan is excluded, the funds available to the ARiMR in 1994 would amount to only 69 percent of those available to the FRiOR.)

- Operating subsidy for the Farm Market Agency: Z2,577 billion (136 percent).
- Subsidy for lowered interest rate on rotating farm credit: Z2.5 trillion (167 percent).
- Expenses of providing agriculture-related educational services: Z2.22 trillion (108 percent).
- Investment outlays in voivode budgets (land reclamation, rural water supply, and so forth): Z1.37 trillion (114 percent).
- Budgetary spending of voivodships (current and investment maintenance of budget units such as veterinary services, quarantine stations, agricultural counseling centers, management of land reclamation and hydrotechnical structures): Z1.76 trillion (117 percent).

The above part of budgetary spending on agriculture, Z18.7 trillion, includes funds from World Bank loans amounting to Z1.2 trillion, and hence actual budgetary spending on agriculture in 1994 will amount to Z17.5 trillion.

Allowing for the anticipated 1994 inflation rate of 27 percent, real spending will increase only on subsidies for the KRUS, for rotating credit, and for the operations of the Farm Market Agency. Spending on other objectives will be lower, which threatens a major decline in outlays on agricultural education. Given an eventual midyear revision of the budget, increased spending on that education will be viewed as a priority.

The choices made may be controversial, because the scale of needs is so big that the available budget funds are far from meeting the needs of the food sector and the expectations of producers. The situation may be improved by bigger modernization loans from the World Bank as well as by unused loan funds carried over from previous years.

Altogether, spending on agriculture (other than the KRUS subsidy) is apportioned among the following institutions:

- Ministry of Agriculture and Food Economy—29 percent
- Agency for the Restructuring and Modernization of Agriculture—22 percent

—Farm Market Agency—13.4 percent

—Ministry of Finance—13.6 percent

—Voivodes—22 percent

In addition aid funds (other than the World Bank ASAL loan) from the following foreign institutions will be spent on agriculture in 1994: Cooperation Fund, Agriculture Development Fund, PHARE, etc., totaling Z0.3 trillion (of which chiefly technical assistance FAPA funds amounting to Z0.25 trillion).

In 1994 substantial (and practically concurrent) credits for the modernization of agriculture and food processing, deriving from aid funds and low-interest loans will be activated. These credits, totaling about Z2.6 trillion, will derive chiefly from a previously contracted World Bank loan for credit lines: an ADP loan of about Z2.0 trillion; the Agrolinia Cooperation Fund, Z0.4 trillion; and the Fund for the Development of the Polish Countryside, Z0.2 trillion. Of this total about Z1 trillion, including technical assistance and advantages deriving from lower loan interest rates, will be additionally gained by agriculture.

The development of rural infrastructure will be financed to the tune of Z1.5 trillion from local-government budgets. The farmers themselves will contribute about Z0.5 trillion and other entities and foundations Z0.5 trillion (altogether Z2.5 trillion exclusive of state budget funds). This means that (in addition to the KRUS subsidy) the development of the agricultural and food sector will be promoted in 1994 with a total of about Z20 trillion plus the possibilities for obtaining credit. Even if we assume optimistically that well-managed farms assign a total of Z9.5 trillion for investments and the processing industry assigns Z10 trillion for that purpose as well, the total spent on developing the agricultural and food sector will be Z40 trillion in 1994. This amount may seem high but, according to estimates of foreign experts, at that level of outlays the restructuring of the sector would take about 17 years. The strategy for further development will include more precise directions of the modernization of agriculture and the food economy, related to adaptation to European Union requirements. As a result, in the successive annual farm policy programs it will be possible to adopt priorities for the further development of the agricultural and food sector and make more accurate estimates of the outlays needed for this goal. These questions may become elucidated as early as in 1994 after the European Community defines more precisely the terms for the adaptation of the agriculture of Visegrad Group countries to its requirements.

Changes in the Subsidy System

In addition to the traditional line-item subsidies, new or revised guidelines for their use have been introduced for 1994.

Subsidies for Lime Fertilizers

Beginning in 1994 the Ministry of Agriculture and Food Economy took over from the Ministry of Industry and

Trade the handling of subsidies for industrial production of lime for agricultural purposes. Combining these funds with the monies already available to the ministry for subsidizing locally quarried lime fertilizers will serve to utilize them more effectively.

The introduction in 1994 of changes in the guidelines for subsidizing lime fertilizers promotes the production and quarrying of lime at the lowest cost, stimulating the exploration of cheaper and more energy-saving attendant technologies.

Following a small-scale experiment in 1993, in 1994 separate guidelines for subsidizing so-called regenerative liming of highly acidic and magnesium-poor soils were introduced in all voivodships. This consists in applying high dosages of lime depending on the acidity and kind of soils. Bidding for shipments and transportation of fertilizer lime is being organized, which improves the efficient utilization of subsidies by selecting the least expensive producers and carriers. This encourages the application of fertilizer lime on farms whose soils are the most acidified and magnesium-poor.

The amount of the subsidies for lime fertilizers in 1994 (Z1.1 trillion) and the changes in guidelines will serve to lime soils to the same extent as in 1993, i.e., about 115 kg CaO per cropland hectare and to allocate these fertilizers more efficiently according to soil needs. Unfortunately, this dosage of liming per hectare will not avert the growing acidification of soils.

Subsidies for Biological Advances in Crop Production

For 1994 the subsidies for certified seed materials, including seed potatoes, dropped in the second half of 1993, were restored.

Subsidies for treated and untreated seed materials became differentiated, with higher subsidies proposed for treated seed grain. These subsidies will be paid to farmers through the mediation of agricultural counseling centers or district seed inspectorates, that is, not through the mediation of seed growing centers (in accordance with the proposals of voivodes).

The objectives pursued as part of "the protection of gene resources," consisting in the collection and maintenance, in live condition, of the gene resources of useful plants threatened by extinction, the collection of genotypes of the plants threatened by extinction, etc., were broadened. That is because it was realized that a highly important task at present is to preserve the heterogeneity of local populations of useful plants, inclusive of fruit trees and decorative perennials.

Subsidies for Biological Advances in Animal Production

The following new elements were added as part of the subsidies for promoting biological progress in animal production in 1994:

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- Support for advances in the breeding of slaughter sheep by expanding the scope of subsidies for ewes intended to renew and augment their breeding population to 25,000.
- Increased (by an average of 25 percent) subsidies for animal production, which in 1994 have been extended to gilts and breeding flocks of poultry, serving to accelerate the growth of production in these domains.
- The subsidies for herds constituting a genetic reserve were extended in 1994 to herds of slaughter cattle, thus initiating a broad program for developing the breeding of that cattle.

Changes in Agricultural Credit—Rotating Credit

The lack of disposable funds on farms (due to, among other things, low incomes and tardy settlement of arrears by purchasers of finished farm products) necessitates adopting special measures. These consist in providing cheaper credit. In this connection subsidies for reducing interest rates on farm loans were increased (to Z2.5 trillion in 1994 from Z1.5 trillion in 1993), which enables farmers to avail themselves of rotating credit at the 1993 level.

The success of the credit drive will hinge on the involvement of banks in providing loans to more than a million farmers.

Budgetary subsidies for the interest charged on farm credit in 1994 will be allocated according to the following new classification:

- The funds at the disposal of the minister of finance are allocated solely for subsidizing rotating credit for farms (purchases of fertilizers, crop protectants, graded seeds, breeding livestock, feeds and feed supplements, fuel for farming purposes) as well as for financing the purchases of farm products and their inventories and processed forms.
- The funds at the disposal of the Agency for the Restructuring and Modernization of Agriculture are earmarked for subsidizing investment credit.

The interest rate for borrowers was set at the average level of 10 percent per annum, for loans for the purchase of means of agricultural production, and at the average level of 19 percent for loans for the purchases and financing of farm product inventories and processed forms of farm products (compared with 14 and 24.5 percent interest rates, respectively, charged in 1993). The repayment period of rotating credit for farms was fixed at six months, and for purchasing credit at nine months.

An innovation is preferred loans for purchases of seed materials for farmers by food-industry and seed enterprises. The seed materials received on credit can be repaid with shipments of harvested crops by the farmers.

In addition, the scope of loans for inventories of processed products in the potato industry, and preferential credit has been extended to purchases of flax and chicory.

Restricting Price Fluctuations on Commodity Markets

In the years 1989-93, there occurred considerable fluctuations in, among other things, hog prices. Reducing these fluctuations will serve to make the market situation more foreseeable and decrease the number of mistaken economic and investment decisions.

The reduction in price fluctuations in 1994 will be assisted by the relatively high amounts earmarked in the state budget (36 percent higher than in 1993) for the operations of the Farm Market Agency, including chiefly purchases for government stockpiles.

Work on amending the Law on the Farm Market Agency is also being carried out. The proposed amendments envisage that its operations will comprise:

- Purchase and sale of not only farm products but also their processed forms on the domestic and foreign markets.
- Collection and management of state stockpiles of farm commodities.
- Provision of guarantees for loans serving to accomplish objectives consonant with state intervention.

In 1994 a reserve fund for the eventual repayment of loans guaranteed by the agency will be established. In 1994 the agency will spend 50 percent more budget funds than in 1993 on rebuilding state food stockpiles to a level close to that fixed in the "Program for Economic Stabilization." State stockpiles of grain and sugar will be maintained at the 1993 level, and stockpiling of meat and butter will be gradually increased.

Stability of the farm commodity market will be promoted by the development of market infrastructure. To speed up this development a government commissioner for commodity markets will be appointed in 1994 with the object of putting in order elementally adopted local initiatives and establishing a modern system of both commodity and brokerage markets in Poland. Such a system will include not only domestic trade but purchases for export needs. Further in the offing, after the agreement with the GATT takes full effect, foreign companies will also be represented on most such markets, which will promote an improved monitoring of import quotas admitted for free access to our market.

Price fluctuations on the domestic market will also be reduced with the aid of the possibilities, being unlocked since 1991, for utilizing farm surpluses for nonfood purposes. Using, e.g., alcohol as a gasoline additive will be more profitable owing to the new tax preferences adopted in 1994. An opportunity has arisen for utilizing for this purpose in 1994 about 0.5 million metric tons of waste farm products, including potatoes. In 1994 will be

developed a program for tripling the production and financial possibilities of the alcohol industry. This also will serve to reduce price fluctuations on the farm market while at the same time assuring an increase in production and employment in the processing industry.

In 1994 work on implementing the program, adopted in 1992, for processing rape for fuel purposes will be intensified.

Countervailing Fees as a New Instrument for Protecting the Domestic Market

The sudden and uncontrolled growth of the imports of agricultural and food products in recent years has demonstrated the weakness of our system for protecting farming against dishonest competition. Countervailing fees are a new instrument for protecting the domestic market. This non-tariff instrument for protecting the market is being applied in many countries for the last 15 years or so and it brings order into uncontrolled and market-destabilizing excess influx of imported merchandise.

Countervailing fees to be levied on the countries-signatories of the GATT Uruguay Round will operate starting with the effective date of the Round's decisions.

In their proposed legal form these fees are a flexible instrument for regulating imports and make it possible to apply differentiated rates as well as enabling the Council of Ministers to revise the list of the affected commodities and apply threshold prices to stabilize the market situation. Countervailing fees are designed not only to protect domestic producers against dishonest competition but to allow for both current and longrange interests of consumers. This will be promoted by allocating the monies derived from such fees to the Agricultural Restructuring and Modernization Agency, that is, for funding processes on which depends an increased efficiency and competitiveness of Polish agriculture and food industry. The temporary increase in the prices of certain agricultural and food products, estimated to last about five years, should not overshadow the advantages afforded by these fees as a way of controlling foreign trade, achieving progress in stabilization of production, and reducing price fluctuations on the food market.

Status of the Banking Sector Serving the Food Economy and Debt Restructuring of Farms and Companies

All the banks serving the food economy (with the exception of the "Peasant Self-Help" Agricultural Cooperative Bank) have operating capital in the amounts required by the National Bank of Poland. The value of loans granted by the most solvent banks is rising. At the other banks (except Agrobank) the growth rate of deposits and on-demand funds is higher than that of loans granted, which indicates that these banks are investing their funds in more profitable or safer assets than loans. Most banks serving the food economy continue to expand the number of their branches, though only for some banks

this is accompanied by an increase in the yield of their assets and capital. On the whole, for this group of banks, that yield is only one-fourth or one-fifth as high as for the big domestic commercial banks.

Improvements in the investing and operational effectiveness of the banks serving agriculture and food economy as well as in their microeconomic effectiveness with regard to the extent of loans granted and loan terms hinge on consolidating the operating capital of these banks, creating full targeted reserves, introducing savings norms and risk insurance, modernizing bank facilities, and reducing operating expenses.

In 1994 the banks have been showing considerable interest in cooperation with the Ministry of Finance as regards granting preferential credit. Thirty-four banks with which the ministry signed agreements have declared an overall demand for Z4.5 trillion credit subsidy payments (The 1994 Budget Law earmarks Z2.5 trillion). Such considerable interest shown by these banks in granting preferential credit is attributable to the relatively high commission they will earn (4.8 percent) and the favorable interest rate on such credit (10 percent interest on fertilizer purchases and 19 percent interest on procurement credit, annually).

Another source of preferential credit will be the ARiMR (Agency for the Modernization and Restructuring of Agriculture). It has estimated that the funds at its disposal will suffice to generate credit totaling about Z9 trillion. Possibilities for increasing that amount will ensue from the ability of the ARiMR to grant loan guarantees and sureties. Such pledges will be available as of July 1994.

The potential supply of preferential credit for agriculture and food economy in 1994 is estimated at Z27-29 trillion.

The principal factor determining the level of the actual supply of credit for agriculture and food industry will be the pace and nature of the restructuring of the Bank of Food Industry (BGZ) and cooperative banks. The drafting of a law on BGZ restructuring and the announcement that additional restructuring bonds will be transferred to that bank as well as the readiness of the NBP [National Bank of Poland, the central bank] to provide capital support for cooperative banks, indicate that restructuring processes should be radically accelerated in 1994.

A solution of the debt problem of the food industry (Z64 trillion as of the end of 1993) is being made possible by the Law of 3 February 1993 on the Financial Restructuring of Enterprises and Banks and on Amending Certain Laws, while the Executive Order of 31 December 1993 of the Minister of Finance Concerning Additional Capitalization of the BGZ makes possible composition agreement proceedings.

The Bank of Food Industry has listed about 1,200 food-industry and agricultural enterprises as eligible for

composition agreement proceedings, with priority given to the food-industry enterprises based on seasonal processing and procurements. Similar procedures will be applied to the state farms taken over by the Treasury Agency of Farm Property and the experimental facilities of R&D units.

The restructuring of the debts of enterprises to banks and the Treasury will serve to restore the creditworthy status of enterprises which had forfeited that status.

So far the course of composition agreement proceedings has not been very smooth. Bank composition agreement proceedings concerning the liabilities of individual shutdown state farms have not been initiated on a mass scale. Without a systemic solution of their debt problem the operation of farms in the Reserve of the Treasury Agency of Farm Property results in the devastation of their assets and conclusion of individual agreements with those creditors whose negotiating position is particularly strong (power plants, heating plants, suppliers of fuel, fertilizers, herbicides, and so forth), which affects adversely the situation of the remaining creditors.

Independently of the composition agreement proceedings handled by the Bank, the minister of finance will take decisions to restructure the debt of enterprises to the State Treasury.

The problem of the restructuring of banking transcends the scope of activities of the Ministry of Agriculture and Food Economy. Still, it must be emphasized that in the absence of an efficient banking system a rapid restructuring of the agricultural and food sector will not be possible.

Privatization of State Food Industry Enterprises

The Ministry of Agriculture and Food Economy has drafted a law on the production of and trade in sugar and on the privatization of sugar industry. The draft law presupposes establishing a system for the regulation of the sugar market and adapting the organizational structure of the sugar industry to the solutions binding in the European Union. The passage of that law will assure:

- Greater economic effectiveness of the sugar industry owing to, among other things, regulation of sugar prices on the domestic market.
- Faster restructuring of the largest and most modern sugar plants owing to the introduction of sugar production quotas, a rational policy on sugar beets, rational sales of sugar on the domestic and foreign markets, and appropriate modernization and investment activities.

In 1994 attention will also be paid to enterprises of the sugar, grain-milling, and fruit and vegetable industries. The restructuring of these enterprises, combined with their privatization, will be based on prepared sector programs.

In 1994 the activities of the Interministerial Commission for the Privatization and Restructuring of Enterprises of the State Agricultural and Food Industry were resumed. Privatization through capitalization will take place chiefly at large, moderately modern and economically strong enterprises with a settled status of assets (sugar plants, tobacco plants, certain meat packing plants, breweries, fats plants, and food concentrate plants). The implementation of privatization projects for the agricultural and food industries will be linked to their restructuring programs. It is estimated that more than 100 enterprises will be privatized through this approach.

Considerable participation of farm producers in such privatization is assumed. This will be promoted by the provisions of the draft law on the privatization of state enterprises, which guarantee to farm producers the possibility of recommending privatization, participation in supervising councils, and the right to the gratis acquisition of up to 15 percent of shares in privatized enterprises.

As for the remaining state enterprises of the agricultural and food industry these shall be privatized by the liquidation method, that is, they will be liquidated under the law on the privatization of state enterprises and under the Law on State Enterprises. Liquidation proceedings under Article 19 of the Law on State Enterprises will be, in view of their relatively low effectiveness, reduced to the indispensable minimum.

An important aspect of direct privatization (i.e., privatization through liquidation) will be enabling farm producers to participate in that privatization on the same terms as those available to the employees of the enterprise being privatized.

Land Management With Allowance for the Assets of the Former State Farms

Under the law on the protection of farmland and forest land, submitted in 1994 by the government to the Sejm, definitely more effective protection can be expected for the top-grade soils (classes 1-3) which account for but a small share (25 percent) of arable land but are of vital importance to the competitiveness of our agriculture (compared with other countries). That law will afford real opportunities for compensating agriculture for the losses sustained owing to the pollution, contamination, and other forms of degradation of soils. It will also promote investments in low-grade farmland, by facilitating the administrative procedures required to officially exclude such farmland from agricultural production and turn it into forested land or back into combined farms and forestry establishments (e.g., in piedmont areas).

For 1994 it is expected that most of the matters relating to the regulation of farm ownership will be concluded and some of the claims relating to the absence of a law on the restitution of privatized property will be processed more quickly.

The updating of land registers will be accelerated, as will be, in measure with the increase in budget subsidies, the integration of land parcels. In addition, the law on the integration and exchange of farmland will be amended.

The Ministry of Agriculture and Food Economy will, upon consulting the voivodes, gminas, and the Treasury Agency for Farm Property (AWRSP), present criteria for soil classification and a program for a rational utilization of the lower-grade soils.

In 1994 the agency will complete the takeover of the property subject to transfer to the AWRSP Reserve and gradually dispose of that property. It is expected that in 1994 about 1 million hectares of farmland will be thus reallocated, of which: 50,000 hectares (5 percent) will be sold; 700,000 hectares (70 percent) will be leased; and 200,000 hectares (20 percent) will be administered.

Other forms (contribution of land to a joint stock company, transfer to the gminas for infrastructural investments, transfer to State Forests for afforestation) will account for the remaining 50,000 hectares or 5 percent, but that will depend on the ability of the recipients to make use of such land.

About 830 farms averaging 600 hectares of farmland each, will be established by leasing land to private farmers, private entrepreneurs, employee-owned companies, and business executives. In addition some 100 breeding farms will be managed by one-person joint-stock AWRSP (Treasury Agency for Farm Property) companies. Another form of land management by the State Treasury will be administration, with land to be managed under contract by an administrator so as to utilize it more efficiently.

Rural Infrastructure

In 1994 central planning of the funding of rural water supply, sanitation, and land reclamation was abandoned in favor of voivodship planning. Now it is the voivodes who have determined in their budgets such funding at the level of altogether about Z0.6 trillion for rural water supply and sanitation and about Z1.4 trillion for land reclamation.

The funds of local governments, farmers, and the state for developing rural infrastructure in 1994 will be complemented with Z1.2 trillion from a World Bank loan intended to support investments in rural water supply, sanitation, installation of telephones, and other rural amenities. Altogether, Z4-5 trillion was allocated for these purposes in 1994.

To streamline the implementation of investments and focus attention on the treatment of rural liquid wastes, the possibility of subsidizing, as part of modernization investments, only the water treatment stations built before 1970 was assumed, along with the construction of liquid waste treatment plans for farm groups or single farms. On the other hand, collective investments in

water supply and sewage which had not become municipally owned by 1 January 1994 (Law on Local Governments) were excluded from subsidies.

It can be assumed that in 1994:

- The number of subscribers to water supply systems will increase by about 100,000, which means that by the end of 1994 45 percent of all farms will be connected to water supply mains.
- The technical condition of land reclamation facilities will deteriorate (owing to lack of funding for maintenance).

As regards the modernization of rural power grids, funded 97 percent by the power industry, its current rate will be maintained. The monies available to enterprises in 1994 serve to meet only half the related needs.

Concerning the spread of telephones, it can be expected that in 1994 the number of rural subscribers will reach the level of 700,000.

In 1994 programs defining the longterm development guidelines for rural infrastructure will be completed. They will deal with such aspects as land reclamation projects and the streamlining of the related subsidies, as well as plans for funding rural infrastructure. These programs will, after the voivodes, local government, and the scientific community are consulted about them, serve to balance the investment funding sources and define more precisely the pace of the future development of rural infrastructure.

Improvements in the Quality of Food Products

Under the "Program for Measures To Adapt the Polish Legal System to the Requirements of the European Treaty," the minister of agriculture and food economy was charged with coordinating the work on drafting the Polish Food Code. To this end the work of the Ministry of Health and Social Care on adapting the regulations governing food hygiene, nutrition, and objects of use, to international requirements will be utilized.

In 1994 the Ministry of Agriculture and Food Economy will work to define the guidelines for and areas of cooperation with the Polish Committee for Standardization and the Polish Testing and Certification Center. The executive order of the minister of agriculture concerning the scope of norms considered mandatory from the standpoint of human life and health will be issued and the work on improving the hygiene of the production of readily contaminated foods (especially milk) and the quality of drinking water will be continued.

Measures Concerning Social Insurance and Social Benefits

In 1994 about 6 million farmers and their families will be covered by social insurance (of which: 2,060,000 farmers and their families will be recipients of old-age pensions and annuities, and 1,650,000 farmers will pay

social insurance premiums; about 130,000 new old-age pensions and annuities will be granted).

The outlays on social insurance for farmers will amount to Z49,758 billion, with subsidies from the state budget covering 91 percent of that amount and the premiums paid by farmers the remaining 9 percent.

For 1994 the KRUS [Farmers Social Insurance Administration] intends to:

- Refine its organizational structure by streamlining the network of its offices and their territorial scope.
- Raise retirement and annuity payments in connection with the increase in minimum benefits (to 39 from 35 percent of average wage, plus the second revaluation of benefits).
- Open its own network of medical examiners certifying the eligibility of insurance applicants.
- Take stronger measures to reduce the debts owed by persons paying KRUS premiums.
- Introduce a conservation program serving to reduce the cost of services to the insured.
- Intensify measures relating to prevention and rehabilitation.

Treaty Decisions

The general agreements of the GATT Uruguay Round were accepted toward the end of 1993 and signed in mid-1994. A majority of the duty rates and other market-protecting measures proposed by the Ministry of Agriculture and Food Economy was incorporated in the international provisions. The provisions of the Round will begin to apply in 1995. In the meantime draft agreements for phytosanitary and veterinary protection between Poland and the European Union will be prepared.

A committee uniting delegates of the Agricultural Commissariat of the European Union, the European Organization of Branch Trade Unions, the Ministry of Agriculture and Food Economy, and Polish farmers' branch trade unions, will be established. Its purpose will be to enrich the forms and directions of action of Polish farmers' branch trade unions.

Principal Agricultural and Food Markets

The decline in farm commodity production (necessitating higher imports of farm products) and the attendant rise in the cost of that production, along with the poor financial situation of enterprises of the agricultural and food industry, which in some cases prevents them from paying promptly for the farm products shipped to them, such as the principal factors affecting the farm commodity market. A 10-percent increase in outlays on farm production is assumed, but even so their level will continue to be very low compared with the situation several years ago, and hence forecasts for an increase in

crop output in 1994 are hedged and assume it to range from minus 2.1 percent to plus 1.6 percent compared with 1993.

The situation on the principal crop markets in 1994 can be assessed as follows:

- According to preliminary forecasts, the 1994 grain harvest will be close to that of last year. No increase in the consumption of grain products is anticipated. In connection with the rising opportunities for raising hogs and poultry, an increase in demand for feed grain can be expected, which in its turn will lead to price increases. The scope and forms of intervention on the grain market this year will be geared to protecting minimum prices of wheat and rye, whose level is determined each year.
- Potato prices in the last season were very low and hence this year the land under potato cultivation will probably somewhat shrink in area. If the harvest remains average, the potato supply will decrease, which will result in price increases.
- Sugar output markedly exceeds domestic demand, which affects sugar prices adversely. In view of the alignment of domestic and world prices, exporting sugar is hardly profitable. A system of intervention purchases for state stockpiles may be carried out to a limited extent and will not solve the problem of the domestic sugar surplus.
- Rape oil output in the last two years has been at a much lower level than previously (owing to a marked decrease in the area of land under rapeseed cultivation, as well as in the size of rapeseed harvests). A low rapeseed harvest is also forecast for 1994, because the area planted with that crop has shrunk by an additional 20,000 hectares, i.e., by 6 percent. The current level of rape oil production is insufficient (from the standpoint of the domestic market demand).
- In 1994 the area under fruit and vegetable cultivation will probably remain the same; the area under strawberries and raspberries may increase by about 10 percent, i.e., to up to 75,000 hectares, but currant bushes will decrease by about 15-20 percent in area; procurement prices of fruits and vegetables will depend on the extent of their harvests, the solutions adopted in the fruit and vegetable processing industry, and the growth of exports; it is to be expected, however, that in 1994 most prices will remain at 1993 level.

Among products of animal origin the meat market displayed the biggest fluctuations in 1993. In the first half of that year meat prices were at the same level as in the fall of 1992, and, e.g., the prices of pork on hoof were even below that level, while in the second half these prices simply soared, especially for pork on hoof, with the decline in the production and supply of livestock on hoof.

For 1994 the production and supply of beef on hoof and pork on hoof are expected to be lower than in 1993, by about 8 percent. In the first half of this year the supply of domestic pork will be about 27 percent lower, and in the second half about 4 percent lower, compared with like periods in 1993.

The trend toward meat price increases will persist throughout 1994, because a significant increase in the production and supply of pork on hoof owing to the gradual reconstruction of the hog herd, will occur only toward the end of 1994 and the beginning of 1995. Procurement prices of pork on hoof at the end of 1994 will probably rise (according to the Institute of Food Economics and Agriculture and Food Industry). The prices of beef on hoof will also rise significantly.

In the poultry industry the situation is expected to be better. The protection of the domestic market and the improvements in profitability of production should result in greater supply of live poultry.

The low milk procurement prices (in December 1993 they were almost the same as in December 1992 and in real terms they were much lower) are resulting in a continuing decline of the cow population. Owing to the increase in unit milk yield per cow, overall milk output in 1994 will be close to that in 1993. In view of the seasonal changes in the level of output of milk and dairy products, the state will have to intervene on this market. For 1994 it is expected that, in addition to direct procurement of butter and defatted powdered milk, the state will introduce indirect forms of intervention and intensify the privatization of the dairy industry. Between November 1992 and the spring of 1994 milk procurement prices stayed more or less at the same level, save for their slight increase in the first quarter of 1994. Last year's summer-fall increase in milk procurement prices resulted in a surplus of butter and powdered milk, which unfavorably affected milk procurement prices. It is likely, though, that the decline in meat consumption this year will prompt an increase in the demand for milk and dairy products, which in its turn may result in a slight increase in milk procurement prices.

Council of Europe To Continue Monitoring

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["O.I."-initialed report: "Again the Council of Europe Sends Observers to Romania"]

[FBIS Translated Text] The political and juridical commissions of the Council of Europe decided to continue the monitoring of Romania by means of reports elaborated every six months by two observers, reported the Romanian parliamentarians who returned home from Strasbourg. PNTCD [National Peasant Christian-Democratic Party] Senator Valentin Gabrielescu assessed that the decision had been a "fundamental" one, and as such it could not be influenced by the official "show" staged by President Ion Iliescu. On the other hand PSM [Socialist Party of Labor] Senator Adrian Paunescu commented upon the decision, interpreting it as a consequence of the Council of Europe's policy to obtain a "rapprochement among the superpowers," rather than a genuine opening toward the countries of the former communist bloc. The socialist senator cited the speech by Mr. Friedrich Koenig [Council of Europe rapporteur for Romania] held during the plenum of the session, who emphasized the need to ask President Iliescu "tough questions." Paunescu also quoted the speech of Mr. Geza Jeszenszky, Hungary's former foreign minister, reproaching Romania that it had "forgotten to grant rights to the Hungarians."

WWII Pact 'Seed of Discord' in Russian Talks

AU1510173094 Bucharest Radio Romania Network in Romanian 0500 GMT 15 Oct 94

[FBIS Translated Text] The new round of negotiations at the expert level between Romania and Russia on the elaboration of the new bilateral treaty has caused cautious optimism, reports the Bucharest ITAR-TASS correspondent, adding that the seed of discord is the Romanian party's desire that the text of the document spell out the need to eliminate the consequences of the Molotov-Ribbentrop Pact, in which a protocol placed the territory between the Prut and Dniester rivers under the Russian sphere of influence. The ITAR-TASS correspondent explains the Russians' reticence to include such a stipulation in the document by the fact that the aforementioned territory currently belongs to the Republic of Moldova and Ukraine, the interests of which would thus be affected.

During yesterday's news conference the spokesman of the Romanian Presidency declared, according to our correspondent, that the solution to negotiations that cannot be concluded is to present them in another place and under different circumstances. Spokesman Traian Chebeleu expressed his conviction that the issues that remained in suspension will eventually be settled and emphasized the fact that the primary importance of the treaty is symbolic, although in this case also political, but

that the absence of a treaty cannot and should not be an obstacle to furthering relations between our countries.

Iliescu: Moldova 'Second Romanian State'

AU1510214094 Bucharest Radio Romania Network in Romanian 1800 GMT 15 Oct 94

[FBIS Translated Excerpt] Today at the Baile Herculane mountain resort the proceedings of the second congress of Romanian spirituality opened, a forum attended by over 1,000 persons invited from the country and the diaspora. The theme of the congress is: "The History of the Romanians Living Abroad After World War II."

During the proceedings President Ion Iliescu took the floor. [passage omitted] Mr. Iliescu pointed out that the congress is attended by three categories of Romanians: Those living south of the Danube River, an ancient population of the Balkan Peninsula that was formed simultaneously with the rest of the Romanian nation; second, a large community of Romanians who settled down in various countries of the world; and finally, the Romanians of Bessarabia and Bukhovina, who should not be considered members of the diaspora, but rather as hosts of the conference.

Referring to the two aforementioned Romanian provinces, President Iliescu offered a great number of historic details from which it could be deduced that they have never belonged to Russia. On the same issue, President Iliescu asserted that the current Republic of Moldova is a second Romanian state—despite all allegations to the contrary—a state that Romania has and will support in the assertion of its independence not with respect to Romania, but rather with respect to the former Soviet empire. [passage omitted]

The head of state emphasized that the December 1989 revolution interrupted the foolish policy of isolating the country from the Romanians of the diaspora and that the new political reality in Romania allows for maintaining and furthering ties with them. The head of the state denounced the tenseness of the political rivalry in the country, which knowingly undermines national unity and which is also transmitted to the Romanian diaspora, and called it an appalling and antinational policy. [passage omitted]

The head of the state also spoke of our national policy, pointing out that equal rights are ensured to all the citizens, on a democratic basis, and that Romania far surpasses international standards in that field. Protecting the rights of ethnic minorities is stipulated by the fundamental law of the country and is in accordance with the interests of the Romanian state, asserted the president. However, at the same time we want Romanians living in other states also to be granted the same rights, added Mr. Ion Iliescu, who also stressed the fact that ethnic minorities should represent factors of understanding between states, rather than elements of discord and ill feelings.

Smuggled Uranium Originated in Former USSR*AU1710091894 Bucharest ADEVARUL in Romanian
12 Oct 94 p 1*

[Report by Patru Musat: "Seven Kilograms of Uranium Seized in Urechesti"]

[FBIS Translated Text] Officers of the Weapons, Explosives, and Drugs Department of the General Police Inspectorate have identified and arrested Victor Barta, 45, Ion Bulgariu, 35, and Ion Baleca, 29, all from the Republic of Moldova; Abdul Hafez Moh'D Salem, 36, and Fuad Abdel Hatem, 39, both Israeli citizens; and Florin Lenghel, 18, and Dumitru Iordan, 39, who are Romanian citizens. They were arrested in the "Bachus" bar in the Urechesti Commune, in Vrancea County, trying to sell for \$400,000 seven kilograms of uranium and some strontium, a very dangerous radioactive substance, in a lead pipe. The investigation carried out so far indicates that the radioactive substances originated in various states of the former USSR and were brought into Romania illegally.

Excessive Mercury Found in Drinking Water*AU1710094794 Bucharest ADEVARUL in Romanian
12 Oct 94 p 1*

[MEDIAFAX report: "Drinking Water Contains Mercury and Other Toxic Substances"]

[FBIS Translated Text] In the September-October period, the Office in Charge of Consumer Protection [OPC] checked the quality of drinking water supplied to citizens in 40 counties. A particular case was discovered in Bucharest Municipality, where, in the past few months, the concentration of mercury, a very toxic substance, in the drinking water exceeded 10-fold the accepted amount. A sustained consumption of drinking water containing a high degree of mercury can slowly afflict the body and, in particular, can lead to liver and kidney disorders.

PL '93, PNTCD Leaders View Ex-King's Visit*AU1610161094 Bucharest ROMANIA LIBERA in
Romanian 11 Oct 94 p 3*

[Interview with Dinu Patriciu, PL '93 leader, and Ion Diaconescu, first vice president of the PNTCD, by Roxana Bardalexi; place and date not given: "There Is No Dissent Between the Peasant Party Members and Liberals Regarding the King's Visit"]

[FBIS Translated Text]

Dinu Patriciu, Liberal Party '93 [PL '93] leader: "I Had in Front of Me a Victim That Became a Symbol"

[Bardalexi] Mr. Patriciu, as was to be expected, the Friday [7 October] events at Otopeni airport brought about speculations that imply profound differences

between PNTCD [National Peasant Christian-Democratic Party] members and liberals. Are there any grounds for such rumors?

[Patriciu] Everything was organized by some foundations, and thus it was not a political action. Thus, the foundations of our parties initiated the invitation to the king to attend this symposium. Therefore, I was present at the airport in my capacity as president of the "Rene Radu Policrat" foundation, just as the PNTCD leaders were there as representatives of the "Iuliu Maniu" foundation. I believe there are people who will speculate on this event, first of all the left-wing forces, who will try to disseminate a feeling of dissent between us and the PNTCD. They will try to suggest certain feelings of frustration felt by certain Peasant Party leaders, because the liberals—whose party is not a declared monarchist party—made a more prominent contribution.

[Bardalexi] Is there such dissent?

[Patriciu] No, there is not, and there was none during the preparation for the visit either. Everything was arranged by common agreement. The fact that disruptions also emerged is something else, such things can always come up. We do not have to pay attention to them because they do not have any political significance. I believe that this event can forge a relationship between the two parties, not because it is obvious that declaring that you are a monarchist is a service to monarchy, but to show that we are dealing with a false problem, namely, the problem of a monarchy versus a republic, just like all the false conflicts in our society. Such conflicts are fueled by those in power in their attempt to stay in power, and just as Horia Rusu [PL '93 president] said, it will turn out that the republicans and monarchists are on the same side of the barricade—against Iliescu.

[Bardalexi] What were you hoping to achieve when you made such a row at the airport?

[Patriciu] I was hoping to make some people—policemen, border guards, or TAROM [Romanian airline] employees—understand that the Constitution must be respected. Orders are not valid unless they are within the constitutional framework and, in fact, we are living in a dictatorship if such people are forced to fulfill unconstitutional orders.

[Bardalexi] Did they understand your intentions?

[Patriciu] I am sure they did. In fact, one could clearly see the reluctance of those who were forced to drive the king out. It was even a hilarious situation: People wearing uniforms were leading the king back to the plane, while other people, wearing the same type of uniforms, were offering flowers to the king.

[Bardalexi] What did you think when you shook hands with the king?

[Patriciu] I was deeply touched. It was a sad moment, but also a symbolic moment for this disunited country.

We had in front of our eyes a victim who was rising above this moment and turning into a symbol.

Ion Diaconescu, First Vice President of the PNTCD: "I Was Deliberately Absent from the Airport" [subhead]

[Badralexi] Mr. Diaconescu, what is your opinion of speculations that emerged immediately, regarding Mr. Patriciu's presence at the airport on 7 October and your absence?

[Diaconescu] I feel compelled to repeat what is well known. The initiative to organize this seminar, for the reestablishment of the truth in connection with the 23 August 1944 events, was taken by a number of foundations with cultural and patriotic goals. Political parties were not engaged in this action. We did not want one political formation or another try to make political capital out of this act. Moreover, since, from the very beginning, there was an intention to invite His Majesty King Mihai to attend this event, we organized the symposium in a spirit of complete harmony and took all possible steps to obtain approval for the king's visit. The authorities again failed to show wisdom, a political instinct, or a sense of legality. The king decided to come, even without the approval of the authorities. However, taking into consideration that the action was not organized by political parties and that, from the very beginning, we intended not to give it any political meaning, I personally did not go to the airport. However, I asked all my friends, who are less engaged politically than I am, to be present—not in the name of the party, but in the name of the "Maniu" Foundation. No doubt that at least half of the people present were PNTCD members.

[Badralexi] Do you view Mr. Patriciu's presence as an attempt to accumulate political capital?

[Diaconescu] No. I believe that he went there in the name of the "Rene Policrat" foundation. I do not know how others will interpret his action, but I personally do not ascribe any political intentions to it.

[Badralexi] Thus, there is no reason for speculation referring to dissent between liberals and peasant party members?

[Diaconescu] No. There is no reason whatsoever. Certainly, there was a liberal leader—I am talking about Mr. Dinu Zamfirescu—who made remarks about my absence from the airport. However, I want to repeat, I was deliberately absent and, personally, I do not attach any political significance to the fact that Mr. Patriciu was present.

[Badralexi] Do you believe that discussions that could fuel dissent between Peasant Party members and liberals will also be fueled by CDR [Democratic Convention of Romania] members, or only by those in power?

[Diaconescu] I do not believe that anybody in the CDR will speculate on this. I, personally, will not fuel rumors

regarding dissent between us and the liberals on this issue. I have no reason whatsoever to do so.

PNTCD's Coposu To Return 'Around 20 Oct'

AU1510154594 Bucharest *EVENIMENTUL ZILEI* in Romanian 11 Oct 1994 p 14

[Report by Mihai Neagu: "PNTCD President Corneliu Coposu Is Well and Has Put on Weight"]

[FBIS Translated Text] Back from a trip to Germany, Otto Weber, president of the PER [Romanian Ecologist Party] held a brief news conference, wishing to inform reporters that Corneliu Coposu, PNTCD [National Peasant Christian-Democratic Party] leader is well and will soon return to Romania.

During his trip, Mr. Weber also visited the clinic where the PNTCD president is receiving treatment. The PER president did not manage to meet the PNTCD president but, talking to the physician who is treating the Peasant Party leader, he was informed that "Mr. Coposu is well and has put on weight recently."

[Bucharest ROMANIA LIBERA of 12 Oct 94 on page 3 carries an "note" entitled: "Mr. Corneliu Coposu Will Return to Romania at Around 20 October" as follows:

"Corneliu Coposu, the PNTCD president, will most probably arrive in Romania around 20 October 1994, party sources announced. Likewise, the president of the Romanian Ecologist Party, Mr. Otto Weber, said that Mr. Coposu's state of health is good after the surgery he underwent in Germany."

Report Views 'Disastrous State' of Air Force

AU1410104194 Bucharest *EVENIMENTUL ZILEI* in Romanian 10 Oct 94 p 3

["Report of the Defense, National Security, and Public Order Commission on an Alarming Phenomenon: The Crash of the MiGs"—introduction by Marcela Feraru and Adrian Halpert]

[FBIS Translated Text] The most recent [29 Sep] aviation accident, which occurred at the Bogata military airport, close to the town of Turda in Cluj County, was another alarm signal about the disastrous state of the Romanian Air Force. The high number of such accidents over 1993 and 1994 has made the parliamentary defense committees focus their attention on this subject, in addition, of course, to the attention paid to it by the Ministry of National Defense, which has set up special military investigation commissions. Today we present to you exclusively excerpts from a report by the Chamber of Deputies Defense, National Security, and Public Order Commission. The report presents an updated situation of the Romanian military air fleet, which meets neither the requirements of modern warfare nor the standards required by NATO. Thus, of the 300 fighters currently at the disposal of the Romanian Air Force, a mere 5 percent

are modern aircraft of the fourth generation. In 1993 they were given a mere 12 percent of the funds needed by the Air Force. The report devotes special attention to the extremely difficult social situation of the Romanian Air Force pilots. It is significant that 10 to 15 percent of each generation of pilot graduates die in aviation accidents!

1. The Romanian Air Force—A Presentation

After the reorganization of the Armed Forces, the Air Force was integrated within the Air Force and Anti-Aircraft Defense General Staff.

1.1. Equipment

The Air Force is equipped with 300 MiG-29, MiG-23, MiG-21, IAR-93, and Il 28 (H 5) single-seater aircraft (fighters, fighter-bombers, and reconnaissance craft), 200 IAR-330 helicopters, Mi-8, IAR-316, and SA-365, 20 An-24, An-26, and An-26, and An-[figure illegible] transport aircraft, as well as 150 IAR-99, L-39, L-29, Iak-52, IAR-823, and An-2 tutoring, training, and liaison aircraft.

The Treaty on Conventional Armed Forces in Europe signed in Paris on 19 November 1990 stipulates the following limits for the Romanian Air Force:

- combat aircraft: fewer than 430
- attack helicopters: fewer than 120 (equipped with remote-controlled antitank weapons)

Of the 300 Air Force combat aircraft, a mere 5 percent are modern, fourth generation, MiG-29s, with comparable technical and tactical features to those of the F-16, F-17, and Mirage-2000.

Just 15 of the helicopters can be equipped with guided antitank weapons systems, and even their tactical performance is modest and their targeting equipment unsatisfactory.

Of the total Air Force aircraft, 45 percent have been in operation for over 20 years, 35 percent between 10 and 20 years, and just 20 percent less than 10 years.

Over 50 percent of the air-to-air missile stocks are obsolete and high-performance missiles represent merely 5 percent of the total.

The Air Force's equipment contains no sufficiently precise and efficient air-to-ground missiles or guided bombs.

In 1993 a mere 12 percent of the funds necessary for the Air Force for repairs and maintenance were provided; in 1994 for this purpose the Air Force needs 100 billion lei, of which 75 percent is in hard currency (not including purchases of new equipment or modernization of aircraft.)

1.2. Personnel

Air Force personnel (officers, warrant officers, non-commissioned officers, conscripts, and personnel

employed under contract) represents 5 percent of the total personnel of the Armed Forces and 25 percent of the Air Force and Anti-Aircraft Defense personnel.

Of the entire Air Force personnel (flying, technical, ground staff, and logistics personnel) the flying personnel represents 18 percent and comprises pilots, navigators, board mechanics, radio operators, and gunners.

Of the total number of pilots (1,300) 30 percent are fighter and fighter-bomber pilots and 33 percent helicopter pilots; of the total number of aircraft and pilots, the pilot(crews)-aircraft ratio is as follows:

- combat aircraft (fighters, fighter-bombers): 1/1
- helicopters: 1.2/1. This proportion has been steadily declining owing both to the growing number of pilots who retire and are thus grounded, or who have resigned over the past three years (an average of 35 to 40 pilots per year), and to the diminishing number of trainee pilots (16 to 25 over the past three years, whereas this year no new trainees are planned).

In modern warfare the frequency of air force operations is very high, averaging three to five takeoffs per aircraft per day, with peaks of even eight to 10 tactical support flights per day. This is why during the most recent conflicts (the Falkland Islands and Desert Storm) the pilot-aircraft ratio rose to 5/1, as they realized that in modern air combat the pilots' physical and mental exhaustion is tremendous and to send pilots back into combat before they are fully recovered, both physically and mentally, would be nonsensical, as both the aircraft, worth \$20 to \$60 million, and the success of the mission would be endangered. Moreover, even if combat aircraft can be replaced by imports within a few days or weeks, the replacement of flying personnel cannot be done in the same way and the training of new personnel cannot be done within a reasonable period.

1.3. Major Projects and Problems

- Modernization of the MiG-21: its equipment with high-performance board instruments suitable for independent navigation and for attacks with high-precision air-to-surface missiles and guided bombs and with air-to-air missiles for dogfights (project in progress)
- Increasing the reliability and the modernization of the IAR-93 aircraft (partially initiated, increasing the aircraft's technical possibilities)
- Purchase of modern antitank attack helicopters (priority project still unsolved)
- Continuing purchase of fighter aircraft able to ensure "air superiority" (MiG-29, F-16, F-18, Mirage-2000, and so on)
- Modernization of combat guidance means [modernizarea mijloacelor pentru conducerea in lupta]

2. The Social Situation of the Flying Personnel [subhead]

The flying personnel represents a category of military experts who carry out combat missions or directly participate in the carrying out of such missions aboard the aircraft.

Air combat (air-to-air, air-to-surface, air-to-sea, reconnaissance, and transportation) missions require not solely self-sacrifice and courage, but also proper expertise and physical-mental resilience.

Training or combat flights exhaust personnel almost to an equal extent owing to:

- Stress (danger, being confined to a narrow space, concentration, rapid reactions);
- Acceleration (flight maneuvers overloading the body by 7-9 g);
- Low air pressure;
- Radiation.

In order to be able to master such circumstances pilots must always be:

- Psychically motivated;
- Masters of theoretical knowledge;
- Well-trained in flights;
- Physically and mentally resilient;
- Not stressed by other problems;
- Protected by the appropriate equipment.

The developing, furthering, and maintaining of such qualities (the combat performance of pilots) requires exceptional care for the work and living conditions of the flight personnel.

The basic training of combat pilots takes approximately five years and their perfecting a further two to three years (at a training intensity of 80 flying hours per year), the hourly costs for flight training averaging \$5,000 for fighter pilots, or \$400,000 per year, and \$1,000 for crews flying medium-class helicopters, or \$80,000 per year.

2.1. The Legislation

Since approximately 10 to 15 percent of the pilots belonging to each generation of graduates are lost in aviation accidents, many of them young with small children and too few years of service to ensure appropriate pensions for their families, a legislative initiative should be initiated to amend Decree No. 14/1977 to add a provision stipulating that pensions granted to the families of deceased flight personnel and pensions granted to flight personnel if they become permanently handicapped as a consequence of aviation accidents should equal their net income over the last month of service (which is similar to the stipulations of Law

14/1992 on the Organization and Functioning of the SRI [Romanian Intelligence Service] and the draft laws for the police and gendarmes).

2.2. Working Conditions

The space in the barracks is almost sufficient; however, the majority of the barracks facilities are inappropriate, because:

- In the case of 75 percent of the barracks, winter heating is insufficient (the greatest problems are at the Borcea, Alexeni, and Boteni Air Force bases);
- Water supplies are limited at almost all the barracks; in the case of the Caransebes and Campia Turzii Air Force bases, the supplies are below the minimum necessary and are provided by tanker trucks;
- Just 10 percent of Air Force bases are equipped with functioning bathrooms for the scrambling units so that the personnel can take hot baths after missions, from which pilots most often return with their overalls soaking wet with perspiration;
- Just two of the six colonies of service apartments are supplied with pre-school educational facilities and none of the six has primary schools, meaning that children are compelled to commute to schools in neighboring localities;
- Physical training in sports halls during winter time is possible at only seven Air Force bases;
- The equipment for the personal protection of the flight personnel is worn out and quantitatively insufficient regarding:
 - a) helmets;
 - b) body overload compensation (anti-g) clothing;
 - c) oxygen masks;
 - d) gloves;
 - e) special underwear made of cotton or silk.

Although the MiG-29 has been in operation for four years, they have not yet purchased the appropriate oxygen masks so that all the combat abilities of the aircraft can be utilized (compatible helmets with mounted targeting system).

The efforts made by combat pilots, even during training, are no less than those made by high-performance athletes; whereas for the latter their clubs provide special recovery conditions, including physiotherapy, for the flight personnel the same conditions are not ensured, although by law they are entitled to an annual 15 additional days of leave for recovery. The mountain resort hotels belonging to the Air Force are equipped like touristic ones. Their capacity is low in terms of the number of flight personnel (accommodating a mere 30

percent); they are not equipped for the physiotherapeutical recovery of flight personnel; and not even medical personnel are provided in their organization statutes.

As for living conditions, 58 percent of pilots own private apartments, 11 percent occupy apartments rented from the state, 13 percent live in service apartments, and 18 percent do not have their own living quarters.

Under current circumstances, middle-ranking Air Force officers (commanders of fighter-bomber squadrons, that

is, majors) could purchase two-bedroom, medium-quality apartments if they paid 30 percent of their salaries over 25 to 30 years, which causes a rather pessimistic state of mind, especially among younger pilots, and among those who are serving in isolated basas, far from urban centers.

Owing to their precarious social situation, there is lately a growing number of pilots who request retirement before the age limit beyond which they are grounded, who give up flying and request non-navigation jobs, who ask to be transferred to transportation aviation, or who resign (there were 40 such cases over the first four months of the current year alone.)

Radovan Karadzic Pledges Support for Krajina

*LD1510174594 Sarajevo Radio Republike Srpske
Program for Abroad in Serbo-Croatian 1630 GMT
15 Oct 94*

[FBIS Translated Text] All those who are close to the Western alliance have practically recognized the republic of Serb Krajina, and we now have to find a solution for obtaining its recognition on a permanent basis so that the Srpska republic can be recognized later, Radovan Karadzic, president of the Srpska republic, said at today's meeting in Banja Luka with deputies and representatives of municipal committees of the Serbian Democratic Party of the Serb lands of eastern and western Slavonia.

Addressing those present, President Karadzic emphasized a need for ensuring that the right of Serbs to their own state is observed in the same way as the right of Croats. One must observe not only political rights to self-determination, but also the gains of the liberation struggle that led to the creation of the republic of Serb Krajina, now three years old, with its own territory and with power in the hands of its own people.

According to the president of the Srpska republic, Croatia no longer has any means of reintegrating the republic of Serb Krajina into its own territory except by waging a war. Even this attempt would end in the defeat of Croats, because Krajina would put up a (?decisive) fight, using all available means, and it would not be left on its own to do this.

In Karadzic's words, the Srpska republic would immediately join in the defense of the republic of Serb Krajina, in keeping with the official declaration on mutual and joint defense and help, as would Serbia and Montenegro, i.e., Yugoslavia, which are the guarantors of the implementation of the Vance plan for Krajina.

Izetbegovic 'Will Not Accept' Changes to Plan

*AU1410194494 Sarajevo Radio Bosnia-Herzegovina
Network in Serbo-Croatian 1800 GMT 14 Oct 94*

[Letter sent by Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, to President Clinton on 14 October—read by announcer]

[FBIS Translated Text] From the rumors [words indistinct] the Contact Group one can conclude that certain changes to the Contact Group's peace plan for Bosnia-Herzegovina of July 1994 are being prepared. These rumors have caused a legitimate anxiety in our public. For this reason I have the duty of informing you about the following:

First, the Bosnia-Herzegovina Assembly session accepted a peace plan by the Contact Group of five countries. Our assembly did so thus declaring itself in favor of peace despite major reservations that existed then and exist today in our public with respect to this plan.

Second, our Assembly did so, among other things, also in faith that these were the last concessions demanded from us. A 30 July communique of the Contact Group also envisaged concrete measures that the international community would undertake to secure acceptance and observation of its plan.

Third, the Bosnian Serbs rejected the plan that was on offer; however, the envisaged measures were neither taken nor were the given deadlines honored. On the contrary, the sanctions against Serbia have been eased which is contrary to the Contact Group peace plan and which was done without consulting us. All this seriously questions the credibility of the Contact Group, the reputation of the countries that stand behind it, and the reputation of the international community in general.

With respect to the above I would like to inform you that Bosnia-Herzegovina will not accept any changes to the peace plan that would be to its detriment nor it is willing to embark on any new negotiations about a peaceful solution before the Serbian side has accepted the map of internal division of 5 July this year.

Bosnia-Herzegovina also will not agree to anything that could directly question the entirety, integrity, and sovereignty of the country. We expect your support in connection with this, in accordance with resolutions of international bodies and the stance of your government, reconfirmed on several occasions.

President Izetbegovic sent a letter with the same content to Russian President Yeltsin, French President Mitterrand, German Federal Chancellor Helmut Kohl, and British Prime Minister John Major.

Croats To Form Municipality in Northeast Bosnia

*LD1610174094 Sarajevo Radio Republike Srpske
Program for Abroad in Serbo-Croatian 1630 GMT
16 Oct 94*

[FBIS Translated Text] The position of Croats in the Tuzla region has become intolerable and this is why they have decided to organize themselves, it has been learned from Serb military sources. One of their first moves is to set up the Croat municipality of Brcko—on territory that today belongs to the so-called Republic of the Bosnia-Herzegovina Federation.

It is well known that the town of Brcko itself and most of the municipality is in Serb hands, and that the headquarters of the Muslim municipality of Brcko is in the village of Maoca, south of the town.

According to statements by four Croats who fled to Serb territory from the Tuzla area, the work of founding the Croat municipality of Brcko has been entrusted to Mija (Anic), while Jozic (Anic) is responsible for the legal side. The refugees did not want to say where the headquarters of the municipality would be or its size. The basic reason for setting up the municipality is the increasing ill-treatment of the Croats by the Muslim authorities.

National Bank Introduces New B-H Dinar

AU1410215194 Sarajevo Radio Bosnia-Herzegovina
Network in Serbo-Croatian 1800 GMT 14 Oct 94

[FBIS Translated Excerpt] The National Bank of Bosnia-Herzegovina today presented the new Bosnia-Herzegovina dinar as one of the measures to consolidate and spur the functioning of the Bosnia-Herzegovina monetary and banking system. Mediha Colo reports:

[Begin recording] [Colo] [passage omitted] The National Bank of Bosnia-Herzegovina is making serious efforts and taking measures to consolidate the monetary and banking system and make it function. For example, the National Bank has established a link with all banks in the republic, exchange bureaus in banks have started to work, payment operations with foreign countries have resumed and in the last nine months have amounted to \$200 million, and so forth. The release of the new banknotes of our republic is a part of these measures. This was, among other things, stated by Dr. Haris Silajdzic, prime minister of the Bosnia-Herzegovina Federation and Republic, at the beginning of today's presentation of the new Bosnia-Herzegovina currency. He also added:

[Silajdzic] It is important to emphasize that all this has been accomplished in our country, by our people, from the initial preparations, visual images, printing, and distribution of money to the organization of units of the Public Accounting Service. The money may be in circulation as of tomorrow in all free parts of the Bosnia-Herzegovina territory, except for Bihac, Gorazde, and Srebrenica due to well known reasons. However, as soon as conditions are created, the money will be also delivered to these territories. [passage omitted]

[Colo] Kasim Omicevic, governor of the National Bank of Bosnia-Herzegovina, emphasized that a sufficient quantity of money has been printed to facilitate cashless payment operations [bezgotovinski platni promet] throughout the territory of Bosnia-Herzegovina. Regarding the exchange of old money for new, he said:

[Omicevic] So far, cash appeared in the form of various substitutes and [word indistinct] which were generally called the dinar. This money must now be pulled out of circulation within one month and exchanged for the new money. The exchange rate between the old and the new money is 1 to 10,000 dinars, which means that 10,000 coupons that have been in circulation so far will be exchanged for 1 dinar.

[Colo] The new currency is printed in denominations of 1, 5, 10, 50, 100, 500, and 1,000 dinars. Its exchange rate toward German mark is 1 to 100. The new Bosnia-Herzegovina dinar will be released into circulation tomorrow. [end recording]

UN Reports Bosnian Troops Failing To Withdraw

AU1610142894 Paris AFP in English 1243 GMT 16 Oct 94

[FBIS Transcribed Text] Sarajevo, Oct 16 (AFP)—Bosnian forces deployed in the demilitarized zone (DMZ) of Mount Igman have failed to withdraw despite being asked to do so by UN forces, a spokesman for the United Nations Protection Force (UNPROFOR) said on Sunday.

"We have recorded no movement by the troops," Major Koos Sol said. The Bosnian army is mainly composed of Moslems.

On Saturday [15 October] another UN spokesman had said that the 500 troops, who are violating the agreement on the demilitarization of the sector signed in August 1993, were "supposed to leave" that day.

UN headquarters now believe that the military commander in the sector is refusing to honour the assurances given publicly by the government in Sarajevo that it would evacuate the zone, which covers 28 mountainous square kilometres (11 square miles) and is in theory demilitarized.

"We think that Major Fikret Prevljak, who has authority over Igman and the area around the airport, is under the direct influence of the president (Alija Izetbegovic)," a senior UN officer who requested anonymity told AFP on Sunday.

Izetbegovic caused universal surprise on October 7 when he declared that "the Bosnian army was not forbidden to be in the so-called demilitarized zone."

"The government is making a link between the DMZ and the 20-kilometre heavy weapons total exclusion zone around Sarajevo, where they say the Serbs have kept banned weapons," the senior officer said.

He added: "It has to be understood that Major Prevljak controls everything that comes into Sarajevo through the tunnel" which runs from Igman to the city under the runways of the airport, which is controlled by French UN troops.

"So he is a powerful man. What is going on around the DMZ has more to do with politics than military tactics," he said.

Attempts by French UN troops deployed on Igman to try to get the DMZ respected seem, therefore, certain to fail, in the view of observers in Sarajevo.

That view is lent weight by the statement on Friday by a Bosnian army commander that the DMZ "does not exist and never has existed." This senior officer told AFP, on condition that he was not identified, that "our troops are still in the zone and they are going to stay there."

Serb forces in Bosnia have threatened an offensive if UN troops do not succeed in removing Bosnian troops from

the DMZ by October 21. The ultimatum followed a raid by a Bosnian army commando on October 6 in which 20 out of 26 occupants of a Serb command post on the edge of the DMZ were killed.

"This ultimatum is just a threat which won't be carried out," the Bosnian officer said.

The DMZ on Igman was created to stop a Serb offensive which was on the point of cutting the only clandestine supply route into Sarajevo. The Serbs agreed to pull back on condition that the UN guaranteed that the Bosnian army would not take advantage of their withdrawal to recover lost ground.

But the terrain on the mountain, one of the sites of the 1984 Winter Olympics, is rugged and heavily wooded and French soldiers have not been able to prevent infiltration by infantry.

UN Reports Serb Gunfire Closes Aid Route

AU1710110894 Paris AFP in English 1006 GMT 17 Oct 94

[FBIS Transcribed Text] Sarajevo, Oct 17 (AFP)—The road linking Sarajevo to the Adriatic coast, an essential transit route for humanitarian aid to Bosnia, was closed for an hour Sunday [16 October] for the second day running because of Bosnian Serb gunfire, a UN Protection Force (UNPROFOR) spokesman said Monday.

UNPROFOR spokesman Major Herve Gourmelon said that the road was closed to traffic Sunday between 12:30 and 1:30 p.m. (1130 to 1230 GMT) because of bombing by Bosnian Serb forces in nearby Mostar, southern Bosnia.

The road was also closed for more than an hour Saturday for the same reason.

The Serbs, who bombed the road from positions on Mount Valez, east of Mostar, launched an offensive against Bijelo Polje a few days ago and have cut the road to Jablanica that serves as the only link between Sarajevo and central Bosnia and Croatia.

The road was only reopened in May after months of efforts by UN troops and if the Serbs are able to close it again for an extended amount of time, Sarajevo would be cut off from the Adriatic coast where nearly all humanitarian convoys set off.

UNPROFOR have an emergency route, more to the west, but it is a forest road crossing a mountainous region that is snow-bound in winter and cannot accommodate large trucks.

No Water, Minimal Electricity in Sarajevo

AU1710100394 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0900 GMT 17 Oct 94

[FBIS Translated Text] The information service of the Water Works reports that Sarajevo is without water from both the Bacevo and the Jahorina springs. There has been no accumulation, and therefore there will be no water for the citizens of [word indistinct].

Sarajevo is still not receiving electricity from the direction of Reljevo, that is, via the Buca Potok transformation station. Since there are no defects on the electricity network on the territory under the control of the Bosnia-Herzegovina Army, the aggressor is expected to explain the reasons for the interruption in the flow of electricity. Only priority consumers are receiving electricity via the Velešići transformation station, says the Electricity Board service for public relations.

'Rock Bottom' Food Supplies

AU1410192094 Paris AFP in English 1840 GMT 14 Oct 94

[FBIS Transcribed Text] Geneva, Oct 14 (AFP)—Food supplies in the Bosnian capital of Sarajevo are at their lowest and can meet the needs of residents for another three or four days, a UN High Commissioner for Refugees (UNHCR) official said Friday.

Some 20 UNHCR flights were scheduled to bring in around 250 tonnes of food into the besieged Bosnian capital Friday, UNHCR spokesman Kris Janowski said earlier.

Two large humanitarian ground convoys are also scheduled to leave for Sarajevo Saturday and Tuesday, carrying 470 and 440 tonnes respectively of various supplies including shoes, fuel, and candles.

However an upsurge in artillery exchanges north of Mostar could force aid deliveries to bypass the main road from the Croatian coast to Sarajevo and take a longer route.

The UN agency is anxious to replenish dwindling stocks which have hit rock bottom because of a two-week shutdown caused by Serb threats to aircraft. The shutdown ended last October 6.

Since then the airlift has been suspended twice, further disrupting the flow of badly needed food into the city as UNHCR attempts to build up food stocks ahead of winter.

Akashi Comments on Talks With Tudjman, Granic*LD1410203994 Zagreb HTV Television in Serbo-Croatian 1830 GMT 14 Oct 94*

[FBIS Translated Text] The implementation of UN Security Council resolution 947 was the central topic of talks between President Tudjman and UN envoy Yasushi Akashi and General de Lapresle, UN Protection Forces [UNPROFOR] commander for former Yugoslavia.

In addition to Croatian President Franjo Tudjman, the talks with UN envoy Yasushi Akashi were also attended by Mate Granic, Croatian deputy prime minister and foreign minister, and by Hrvoje Sarinic, head of the Croatian president's office.

Pleased with the one-hour talks, the UN envoy said:

[Begin Akashi recording in English with Serbo-Croatian subtitles] We had a very fruitful discussion with President Tudjman and his senior colleagues about what UNPROFOR intends to do after the adoption of resolution 947 and I expressed our full determination to act as hard as we can for the implementation of the many provisions of the resolution. At the same time I pointed out the obstacles and difficulties that are still in the way of the implementation. [end recording]

Tudjman News Conference on Current Issues*LD1410195994 Zagreb Radio Croatia Network in Serbo-Croatian 1100 GMT 14 Oct 94*

[News conference held by Croatian President Franjo Tudjman with domestic and foreign correspondents at the Presidential Palace in Zagreb—live]

[FBIS Translated Text] [Sasa Kopljar, Croatian Television] Mr. President, please give us a brief comment on the contact group's activities regarding the drawing up of the plan for the occupied areas in the Republic of Croatia. In addition to this, which versions of this plan are in circulation at the moment? Is there a willingness to heed Croatia's views on the part of every member of the contact group?

[Tudjman] All we have learned so far is the contact group, i.e. the so-called Z-4 Zagreb group, is preparing... [pauses] We have discussed something in the introductory part, but this plan has not been presented to us yet. There is goodwill in a sense that their approach is based on the indisputable integrity of Croatian territory and the fact that it is necessary to solve the Serb issue within Croatia. As to what kind of approach they suggest, we do not know that yet.

In our introductory talks, I personally listed everything that would be regarded as unacceptable to Croatia. We expect them to accept a great deal of our comments. Today's circumstances suggest there should be more resolve in implementing the resolutions the UN Security Council has passed so far, particularly Resolution 947.

[Nada Al-Isa, Bosnia-Herzegovina Radio and Television] Mr. President, as far as I know the Zagreb agreement, this latest agreement, was signed in the presidential palace a month ago today. The agreement set out that municipal and cantonal authorities ought to be installed within one month. This has not been done to date. What is your comment? What are you going to do on Croatia's behalf in order to set this in motion?

[Tudjman] For our part, we are doing our best to implement the Washington agreement and consequently, the agreement on the federation and the confederation coming into being as soon as possible. Yet, as to what has been done in restructuring the municipalities, I do really not know. Nor is this my problem. This is the federal government's problem.

It is very interesting what has been done in those issues which required the Muslim and the Croatian leaderships to reach agreement at the top level on setting up both the government and the cantons as well as diplomatic representatives. Something has been done; very little though. Criticism has been coming from the Croat side as it has been coming across obstacles. We are going to do everything on our part to do away with these obstacles.

[Diana Redzevi, Deutsche Welle] Mr. President, at a news conference yesterday, an UNPROFOR [UN Protection Forces] spokesman for the Croatian occupied areas used the term RSK, the abbreviation for the republic of Serb Krajina. What does the absence of reaction from the official Croatian authorities to this gaffe by UNPROFOR's spokesman mean, seeing that similar statements have caused frustration among Croatian people, especially the refugees? Thank you.

[Tudjman] I have not heard about this, but that is not the only gaffe by an UNPROFOR representative. But, on the whole, it seems to me that the highest level UN and UNPROFOR representatives—from Akashi to General de Lapresle—have understood the necessity to implement the UN Security Council resolutions more consistently.

[Pero Stazic, Croatian Radio] In connection with your previous answer, can we hear some more details about today's meeting?

[Tudjman] Mr. Akashi and General de Lapresle came to discuss and find an agreement with us on how to address the problem of implementing Resolution 947. As the [presidential office] secretary said, I presented to them the Croatian views that all resolutions passed so far, including Resolution 947, should start being gradually implemented in a more resolute fashion because Croatia will certainly not be ready to extend UNPROFOR's mandate further. But, I believe that in the current circumstances, the process of reintegrating the Croatian areas will begin.

[Radio New York Correspondent Saracevic] Mr. President, Croatian diplomacy and the public consider Resolution 947 (?a diplomatic success). That resolution mentions only two deadlines: 20 January 1995, when the UN

secretary general is to submit a report on UNPROFOR's activity, and possibly 31 March, when UNPROFOR is either to stay or to leave. Yesterday you had very interesting talks with the cochairmen of the peace conference, Stoltenberg and Owen, U.S. Ambassador Galbraith and the papal nuncio, and this morning with Mr. Akashi and General de Lapresle. Could you tell us whether there are any indications, any deadlines whereby the integration of the UN Protected Areas into the Republic of Croatia could be completed? Of course, you do not know the exact date, but do you think we are talking weeks, months, or years?

[Tudjman] Certainly not years. It a matter of weeks and months. I think that we can expect the gradual integration to begin very soon. Certain changes must take place by the end of this year. In any event, in addition to our flexibility in finding a political solution and building confidence among the deceived Serb population in the occupied areas, Croatia continues to demonstrate readiness to accept a political solution, as well as determination that the reintegration cannot be further postponed in the current international circumstances surrounding Serbia and the occupied territories, and while the talks on solving the Bosnian crisis are under way.

I believe that the reintegration will gradually start taking place very soon, primarily through opening roads, providing a water supply to Zadar, the gradual return of refugees to some villages, opening pipelines, and resolving certain issues in which the population in the occupied areas is interested. They are suffering a shortage of oil products, fertilizers and so on. So, for its part, Croatia is ready to make a further contribution to a political solution, but it is also determined to see the changes which will prove that the reintegration has begun by the deadline you mentioned—20 January, when the UN secretary general is to submit the report, in which he must take into consideration the Croatian government's stances.

[Hloverka Srzic, DANAS weekly] Mr. President, you have mentioned the mini-contact group, the Z-4 group. Some representatives of this group are saying at the moment that the political question of reintegrating Croatia's occupied territories and their return to Croatia's state and legal system will take place the moment Croatia demonstrates its willingness to give the Serbs a high degree of autonomy. At the moment foreign media are speculating that this may be a matter of federation or confederation—various forms are being mentioned.

We can see that Milan Djukic, the SNS [Serbian National Party] chairman, has considerably hardened his position. I would like to know what the maximum extent of Croatia's cooperation is? Is it the Constitutional Law on the rights of the Serb ethnic community?

[Tudjman] The framework for finding a solution to the occupied territories is set down in the Croatian Constitution and in constitutional law, in particular. Croatia is not willing to agree to any solution beyond this framework. There can be no talk of any kind of federation, let alone a confederation.

Why? Who with? It was stated there: Serbs in Croatia can have local autonomy in those areas where they were in the majority before the war—until 1991. These are two boroughs, Glina and Knin. Solutions can be found only within this framework.

[Unidentified correspondent] Mr. President, could you comment on the fact that the county Istria has been admitted to the Assembly of European Regions?

[Tudjman] Well, its mere inclusion in the Assembly of European Regions is, regarding these regions' powers in international terms, merely of symbolical importance. We do, however, have to approach this question from the viewpoint whereby not only have tendencies and factions emerged in Istria but there have been even openly declared statements to the effect that Istria should be a transregional, transborder region. There have also been demands for the demilitarization of Istria. Hence, this case should be also approached from this political viewpoint.

It would be a normal thing to have our counties associated in a union [udruga], so such an union of counties would discuss possible cooperation with other European regional and similar organizations such as the organization of cities and municipalities which existed in the past. One should not attach any special importance to this. Likewise, one should spot the presence of those tendencies I have talked about, those tendencies that were present in a certain part of Istria's political life, both via some individuals who should not be underestimated—particularly so because in Italy's political life there have been views which tend to appropriate Istria, Rijeka, and Dalmatia. [sentence as heard]

[HRVATSKI VOJNIK correspondent] Mr. President, as (?the supreme commander) of the Croatian Armed Forces, and in the context of today's talks, could you comment on the Croatian Army's very successful exercise, Poseidon '94? All the more so since some Croatian newspapers [passage indistinct].

[Tudjman] That last exercise was not the only one in which the Croatian Armed Forces showed their readiness and proved that, since the war for the homeland, they have become a well-trained and well-equipped military force. That was already clear during the Maslenica operation, and we also had other exercises, including the public one on Vir. Some observers were very surprised then, and on the Serb side they were so stunned that they reported that the pictures of the exercise on Croatian TV allegedly showed exercises of the former Yugoslav Army, and not the existing Croatian Army.

So, that military exercise again displayed the combat readiness and showed how well-equipped and trained our army is. It is so well-trained that even foreign observers who watched this and other exercises said that in all similar maneuvers and exercises, even in the armies with a long-standing tradition and the most state-of-the-art equipment, there are always some technical problems and

even one to two percent incidents, injuries, and so on. No such incident happened during the Croatian exercises.

The exercise is true proof of the preparedness of the Croatian Army and the determination of the Croatian state leadership to know how to use that armed force, if need be, in the interests of the Croatian state. So, it remains our policy to search for a peaceful political solution. I told Mr. Akashi: My policy, Croatian state policy, will continue along these lines, to solve the problem of the occupied areas so that not a single man is wounded, let alone killed. However, if we fail to achieve this by peaceful means, we will know how to use all legal means to which any sovereign independent state is entitled.

This is all the more so because Croatia's international position has secured us the support of all international players for the reintegration of our areas. This is why all those who are opposed to a political solution should take into consideration these circumstances on the international scene and Croatia's readiness to solve its problems in a different way.

[KUNA correspondent] I would like to ask you, Mr. President, to comment on the situation in the Gulf and the constant threats to the independence of Kuwait in the light of the experience of Croatia's crisis and war situation. Thank you.

[Tudjman] Obviously, Croatia is not directly interested in the situation in that area—it is interested as much as it is interested in the preservation of peace in all other parts of the world. But it has been proven again that, regarding the tendency to threaten the peace and territorial integrity of a neighboring state, decisive action by the international community and the important players in the international political arena was effective whenever the will existed to use force against the aggressor.

[ITAR-TASS correspondent] A statement issued by your office in connection with a meeting with U.S. Ambassador Galbraith speaks about observations made by some Serb agencies in the spirit of a peaceful settlement. Mr. President, can you please tell us what is the essence of it?

[Tudjman] Because of the more resolute steps taken by the international community, it has become obvious that the Serb aggressive policy has been, dare I say, crushed, in the sense that a blockade of the Bosnian Serbs was imposed by Belgrade, which has also caused divisions within the political leadership that has so far pursued the Serb aggressive policy. Some signs have emerged showing the presence of political initiatives of surprising proportions and orientations, but it is too early to speak about them for the time being. In any case, this shows that the political ranks in all areas, from Belgrade and Bosnia up to Knin, have gone through some changes, and that they have now started trying to find a way out of the current unenviable situation.

[Unidentified Slovene radio and TV correspondent] Can you please assess the latest tensions in Croatia-Slovenia

relations, particularly in the context [word indistinct] in determining the border between Croatia and Slovenia. Thank you.

[Tudjman] I think that the tensions are regrettable, unnecessary, because both state and political leaderships of Slovenia and Croatia have been in agreement right from the proclamation of our independence that those borders which were there at the moment of the proclamation of independence should be accepted. There are reasons to think that some people were particularly interested in causing a conflict on this side—an unnecessary conflict when we are approaching a settlement—or when the crisis on the other side has approached its inevitable settlement which, to say the truth, is not yet a political one but it could be. The settlement could actually require other steps, and therefore, who needs and why do they need such tensions between Croatia and Slovenia, who have traditional links and who are striving—I mean their political leaderships are striving—to regulate the relations in such a way as to bring them in harmony with the relations between European Union countries. They should also set an example for the regulation of all relations on the territory of former Yugoslavia.

I believe that reason will prevail both on the Croatian and the Slovene sides and that confidence between the two countries will be rebuilt.

[THE WASHINGTON POST correspondent, in English] President, what is your analysis of President Milosevic's blockade of the Serbian border? And secondly [passage indistinct]

[Unidentified interpreter, in Serbo-Croatian] He has also added a question about Milosevic's position in all of this, whether it...

[Tudjman, interrupting] O.K., I understand the question. Obviously, the conflict between Belgrade and Pale is not solely one of a formal nature. It was not staged. The blockade of the border between Serbia and Bosnia has indeed taken place. This has already affected the true position of the Bosnian Serbs, and it also reflects the need for a political review among the ranks of Bosnian Serbs in particular. I believe that this is of great importance, regardless of the fact that this blockade is not totally such as we would want it. This is all the more so since this blockade has not included the border between Serbia and Croatia on the Danube.

It is nevertheless very important and its consequences can already be witnessed, as I say, in seeking some other solutions on the part of the Bosnian Serbs.

[Gordana Juresko, VJESNIK] A few days ago, when Mr. Goldstone visited Zagreb, he said that all three sides had admitted there were war criminals among their ranks. Could you tell us something more specific about this? Conditionally speaking, what kind of confession has Croatia made to the international tribunal? And, yesterday, Mr. Granic denied he had a secret meeting in

Graz with Serbian representatives. Will there be a meeting in the near future with the Serb leadership?

[Tudjman] Would you mind asking just one question at a time from now on? What Croatia has confessed to [pauses] Croatia has made no confession. Croatia has expressed its willingness to cooperate with the international war crimes tribunal. The present activity suggests that the aim is to bring pressure to bear in this way, too, on those who have so far led the aggression and who have resisted political solutions, thus exerting an influence on them to the effect that they should accept a political solution.

Hence, Croatia has in principle expressed its political approval. As for the details of what Mr. Goldstone discussed with legal experts in Croatia, I am not familiar with that.

[Moderator Jozo Curic] The second question was—Minister Granic denied an allegation made by DIE PRESSE of Vienna.

[Tudjman] The Croatian side has conducted no political talks in Graz. There are, however, various initiatives in various places. Once they have been published you will have a lot to ask about. There were no talks in Graz, anyway.

[Juresko] The question was—whether you plan to talk to the local Serbs?

[Tudjman] Talks with the local Serbs are being conducted under the mediation of Mr. Akashi and UNPROFOR. These talks have been going constantly. They are being directed by the gentlemen from the European Commission. There will probably be some more specific meetings soon.

[Olga Ramljak] In the latest commentaries on a peaceful solution, the Serbs have also presented their version. We have recently read that, in addition to their presumption that we shall change our constitutional law, which you have denied, they are again mentioning border issues and are again bringing Prevlaka to the fore, which would remain outside every possible solution—this is a repeated condition, allegedly coming from Serbia. Is there any talk that Croatia could accept any such solutions, or is this only a fresh Serb deceit in this regard?

And is it possible to add to what you have just said in reply to a question from our colleague Juresko: If we are going to negotiate with the local Serbs, who is going to conduct these negotiations on behalf of the Croatian state, as there have been quite a few complaints in the Assembly about the way these negotiations have been conducted up until now?

[Tudjman] I do not know what sort of complaints you have in mind, but competent people will conduct them, in every case. As regards Prevlaka, the Serbs have brought that issue to the fore because the Croatian Army, when liberating Dubrovnik, pushed the Yugo-Communist army and the Serb forces from the old borders which were above Dubrovnik itself.

In connection with this and with what the Croatian Army controls now, and in connection with Serbia's right, as they interpret it, to an access to the sea which Bosnia-Herzegovina had in Neum, they have launched the problem of access to the sea. Our view is that there can be no talk about Croatia giving anything up, and when it comes to questions such as Dubrovnik hinterland and Prevlaka itself, we can discuss them once the war is over, once mutual recognition has taken place and when negotiations become feasible on what is in the real interest of Croatia in order to establish normal relations with our neighbors on a completely equal basis.

[Unidentified correspondent] Mr. President, since the proclamation of independence, Croatia has been a (?multinational) state consisting of several ethnic communities. [Word indistinct] was elected in democratic elections. It represents all the citizens of the Republic of Croatia who are believed to be Croats in a political and statebuilding [drzavotvorno] sense. Why is everyone looking for a counterpart to Croatian authorities, i.e. a leader of Serbs in Croatia, and thus further complicating things, as the international community is thus getting the impression that there are two....

[Curic] Could you clarify your question. Who is looking for a counterpart?

[Correspondent] Why is one looking for a counterpart, i.e. insisting that there should be a leader of the Serbs, given that we are a one-national state with ethnic communities which have equal rights?

[Tudjman] First of all, I would not say—either from the political or constitutional point of view—that Croatia is a one-nation state. By its constitution, Croatia is a state of all its citizens, in line with Article One of the Constitution. The preface to the Constitution states, while explaining the historic background to the creation of the Croatian state, that Croatia is a state of the Croatian people, but also a state of all ethnic communities living in Croatia. The issue you are raising clearly exists in the Serbian idea of imperialism, i.e. Serbs on the whole have to be rulers wherever they live. In this sense the issue you have raised has some other connotations, i.e. the Serb ethnic community, which is objectively a minority, ought to be included in the constitution as constitution-building factors. This is, of course, unacceptable for Croatia from the point of view of the international law, international practice, and political relations.

[Marko Markovic, PANORAMA] Mr. President, you said last spring, speaking about obstacles to the investment of the capital of Croatian emigrants, that you replaced two ministers for reasons of crime. I think that the Croatian public would be interested to know who were these two ministers and what happened afterwards.

[Tudjman] I don't think it was because of crime, but because of mistakes in the implementation of the [word indistinct] policy. There is no need for me to return to this

question. In any case, problems linked with [word indistinct] are complicated. There has always been interest in it, because of ever-present obstacles to the return of Croatian emigrants, to the investment of their assets, and so on.

[Hloverka Srzic, DANAS] [Passage indistinct] of international intellectuals which has been [word indistinct], the Croatian Academy, the Croatian [word indistinct]. Since you, too, are a member of the Academy, can you tell me whether you have received an invitation to this meeting and whether you are familiar with [passage indistinct] professor Ivo Banac, where the anti-intellectual views of the ruling party and Croatian policies were debated [passage indistinct], anti-U.S. and anti-Western sentiments are being propagated.

There was also a debate on the adoption of a declaration. The intellectuals could not agree, there was a dispute on whether to explicitly mention the fact that aggression has been committed against Croatia and Bosnia-Herzegovina etc. There was a meeting today in [word indistinct], so this declaration [passage indistinct] was presented to the general public for the first time. Please can you comment on this?

[Tudjman] Whether I was invited, I do not know. There was perhaps this invitation, too, among many other invitations, among those invitations I cannot honor. As far as this meeting—and some other meetings, too—is concerned, regarding this allegedly anti-intellectual and anticultural climate among the current authorities, then this is really something that merits a comment.

I believe that it is hard to find a state in Europe or the world whose state bodies, ranging from its government to parliament and its diplomatic service, include so many intellectuals in the sense of real intellectuals, university professors and other cultural and intellectual workers, as is the case of Croatia's democratic authorities.

Regarding the statements that the present Croatian authorities have so far pursued anticultural policies, good heavens, let us note that Croatia is still at war in a sense. It is true that culture is what facilitates the historic survival of the Croatian people or any other people. Regarding culture, however, if this were only a matter of cultural activity, then Croatia might have survived as early as in the Hapsburg monarchy by this, and such cultural activity might have led to survival in the former Yugoslavia, with socialism, and communism, had it not been for political activity.

Hence, in our struggle for a democratic order, in the struggle for a sovereign Croatia we had to pay more attention to and invest greater funds in what we saw at this exercise, too. Unfortunately, one rocket or one aircraft costs far more than we can spend on individual problems in the sphere of culture. It is absolutely certain that these Croatian authorities—who were, of course, generated by

the culture of the Croatian people and whose aim is to provide for the wide-ranging development of Croatia—that these democratic Croatian authorities will pay full attention to cultural and scientific creativity and support progress in this sphere. This is not a matter of an individual, of this or that minister, this is rather a matter of the general circumstances surrounding us.

Without this expenditure, first earmarked for the creation of police forces and then military forces, for their equipment in very unfavorable circumstances when we had to be resourceful in devising how to equip them [sentence incomplete as heard]. One should recall, when I paraded the first formations of guards' units over two years ago, when we had to devise how to start at all creating our own armed force, that some excessive views—that this was unnecessary, etc.—were being voiced from these intellectual and cultural ranks.

Understandably, without the creation of our own armed force there would have been no independent Croatia, nor would we have established a democratic order. As you know, our rights are hollow slogans without relying on force. Likewise, force without law and democracy is tyranny. This Croatian policy resulted in an independent Croatia, in a stable democratic order, in a stable economic system with a convertible national currency, in Croatia's reputation in the world, a kind of reputation which today renders this Croatia as something the democratic world needs. By the same token this Croatia will also solve its cultural problems.

[Bavarian radio correspondent] Mr. President, Croatian papers have lately been reporting on clashes between the Bosnia-Herzegovina Army and various Serbian armies even in Croatian territory, i.e. UNPAs [UN Protected Areas]. As far as I know, neither Croatian authorities nor UNPROFOR have commented on this up to now, at least not publicly. Is there an agreement between Croatian authorities and Bosnia-Herzegovina authorities, or some kind of a tacit approval by the international community to allow the Bosnia-Herzegovina Army to do what the Croatia is not allowed to do, and are there any plans to include the Croatian Army in these operations? Thank you.

[Tudjman] There is an agreement in principle between Croatia and the government of the Bosnia-Herzegovina Federation on cooperation, which means cooperation in the war against the aggressor. In this case it is mostly speculations. Clashes have erupted, unfortunately, first between Muslim forces, i.e. between forces loyal to Izetbegovic and those loyal to Abdic, and then between Muslim and Serbian forces in border areas. These speculations have been exaggerated. Today I asked Mr. Akashi personally and General De Lapresle about it and they also have no information.

[Curic] Dear colleagues, I hope we will soon have an opportunity to hold news conferences devoted to specific subjects. Goodbye.

Gligorov Reported Leading in National Election

LD1710102494 Belgrade TANJUG Domestic Service in Serbo-Croatian 0930 GMT 17 Oct 94

[FBIS Translated Excerpt] Skopje, 17 Oct (TANJUG)—The ruling coalition of the Alliance for Macedonia and its presidential candidate Kiro Gligorov are in the lead in Macedonia's [The Former Yugoslav Republic of Macedonia] elections, according to the latest incomplete reports. Votes in the presidential and parliamentary elections held yesterday are still being counted—Skopje-based private radio and TV stations have been reporting this morning.

Their figures are unofficial and incomplete, and it is difficult to predict the final outcome.

In their brief reports, these stations claim that according to unofficial projections made on the basis of the votes "already counted," Gligorov is winning with "between 65 and 90 percent of the votes."

It is not as yet known how many voters had voted for his only opponent, theater director Ljubisa Georgijevski, candidate of the opposition Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National Unity.

It has also been said that the Alliance for Macedonia is in the lead over the opposition parties in almost all electoral units. [passage omitted]

VMRO-DPMNE Claims State 'Rigged' Elections

AU1710130794 Skopje NOVA MAKEDONIJA in Macedonian 17 Oct 94 p 4

[Unattributed report on VMRO-DPMNE news conference: "State Rigged Elections"]

[FBIS Translated Text] We have substantial information to give ground to suspicions that there have been attempts by the state to rig the elections. This was stated by VMRO-DPMNE [Internal Macedonian revolutionary Organization-Democratic Movement for Macedonian National Unity] Spokesman Martin Trenevski at yesterday's news conference (at 1:00 p.m.). From this unprecedented chaos we can conclude that the elections are acquiring an irregular course. Trenevski said, and then listed many examples of irregularities, in particular at polling stations, about which the party had received information. For instance, a list at polling booth 29 at election station 108 (at the Kisela Voda Commune in Skopje) was presented at the news conference where only 19 voters were registered, compared with 1,260 voters four years ago. The election list was sent to the party's election headquarters by some dissatisfied citizens who had walked out of the elections there. Trenevski mentioned that all these observations had been conveyed to the international monitors and he also listed some cases of, as he said, irregularities in the elections process throughout the country. The majority of these are related to the "propaganda for the Alliance for Macedonia by

some election commissions, disrespect for the decision to extend the election lists with the appropriate documents, dispersion of completed election lists, copied election lists, the possibility of foreigners voting with identity cards...."

All this presents the best illustration of a drastic violation of the election laws, well organized by the Ministries for Administration and the Interior, the vice president of the party, Dosta Dimovska, concluded.

DP Accused of Violating Election Procedures

AU1710130694 Skopje NOVA MAKEDONIJA in Macedonian 17 Oct 94 p 4

[Statement by the Alliance for Macedonia: "The DP Has Violated Election Procedures"]

[FBIS Translated Text] The Election Headquarters of the Alliance for Macedonia has been carefully monitoring the course of the presidential and parliamentary elections in the Republic of Macedonia [The Former Yugoslav Republic of Macedonia]. Our information from the polling stations speaks of a great interest on the part of the citizens, regardless of some failures in giving information about the voting and preparations of the elections lists. However, our final assessment on the elections will be announced after the publication of the preliminary results.

The Election Headquarters of the Alliance for Macedonia has also monitored some violations of election procedures and the election silence of the opposition, in which the Democratic Party [DP] was preeminent. This party's activities caused fights with members of the election commissions, which is clear proof of the continuation of the projected DP campaign to have the elections proclaimed illegal and illegitimate. The Election Headquarters of the Alliance for Macedonia has submitted its protests to the authorities on all these incidents and it has also informed foreign observers. This was the end of the statement.

Committee Presents Preliminary Election Results

AU1610212894 Skopje MIC in English 16 Oct 94

[MIC Election Pool: "Press Conference of State Election Committee"]

[FBIS Transcribed Text] The State Election Committee held a press conference at 1300 hours at which incomplete data about the response of the citizens as of 10 o'clock today was presented.

According to this data, as the vice president of the State Election Committee (SEC) Vasil Petkovski said, 50,827 voters cast their votes in 119 polling places in 32 electoral units, which presents 14.61 percent of the total number of voters of these polling places.

The vice president of the SEC stated that an incident has occurred in the municipality Chair-Skopje in the electoral unit 106, where the citizens did not know where to vote and did not receive invitations, but the incident was overcome and the situation normalized.

The reporters asked a number of questions in relation to various irregularities on the voting in Tetovo, Debar, Bitola and Skopje, however, they could not get a specific answer.

At the second press conference of the SEC, it was announced that in 65 electoral units, out of a total of 120, 28.09 percent people had voted by 1400 hours.

Parliamentary, Presidential Elections Previewed

LD1510190594 Belgrade TANJUG in English 1847 GMT 15 Oct 94

[By Goran Opacic]

[FBIS Translated Text] Skopje, Oct. 15 (TANJUG)—The Former Yugoslav Republic of Macedonia [FYROM] holds parliamentary and presidential elections Sunday.

On the eve of the elections, the ethnic Albanian party bloc has solved probably the biggest problem by inviting ethnic Albanians to abandon their planned boycott and turn out for the vote.

Observers here say the step was taken at a nod from the president of neighbouring Albania, Sali Berisha, who said at a recent press conference in Tirana this was the only way for them to attain their national rights in the FYROM.

Ethnic Albanians' participation in the elections is vital, being a large ethnic group which, according to its own estimates, accounts for between 30 and 40 percent of the population. According to official figures, they account for not more than 18 percent.

Analysts believe the governing three-party Union for Macedonia coalition can hardly win the necessary parliamentary majority, although it is highly likely to win the election.

The current FYROM Government has a majority in the 120-seat parliament only due to an occasionally frustrating coalition with two ethnic Albanian parties, which have been quick to use this state of affairs to obtain ever more concessions to their ethnic group.

It is not therefore surprising that, according to a recent opinion poll, 42 percent of the population should think the ethnic Albanians are privileged compared with other ethnic groups, such as gypsies, Turks and Vlachs.

The FYROM Constitution makes no mention of the local Serbs, who were a constituent nation in the former Yugoslavia before Macedonia's peaceful secession from the six-unit Balkan federation in 1991.

According to Serb sources, there are between 250,000 and 300,000 Serbs living in the FYROM, and Albanian party sources put the number at between 190,000 and 200,000.

According to unofficial quotes from the as yet unpublished results of a summer census conducted by FYROM authorities, there are about 45,000 Serbs living in the FYROM.

The outcome of the presidential election is somewhat more predictable.

Few expect the popular current president and experienced politician of long standing in the former Yugoslavia, Kiro Gligorov, to have any trouble defeating his comparatively inexperienced film director rival, Ljubisa Georgievski.

However, Gligorov, nominated by the Union for Macedonia, is not (?expected) to win in the first round the 50 percent plus one votes needed to beat Georgievski of the Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian Unity (VRMO-DPMNE).

Most of the 50 opposition parties and coalitions have been insisting for days past that the government has prepared a big election scam.

The allegation has so far been denied by the initial reserved reports by observers from the United Nations, the Conference on Security and Cooperation in Europe, the European Council and numerous other international institutions.

However, voters have recently been increasingly often complaining they "have disappeared" from the voters' registers or have not received their summonses and are not sure which polling stations they should go to.

Assessment Predicts 80-Percent Voter Turnout

AU1610202294 Belgrade RTB Television Network in Serbo-Croatian 1830 GMT 16 Oct 94

[Zoran Lukovic report from Skopje]

[FBIS Translated Text] According to preliminary data and assessments made available to journalists by representatives of the official Electoral Commission of the Former Yugoslav Republic of Macedonia [FYROM], an 80-percent turnout for the 1,700,000-strong electorate is anticipated. Let me remind you that the citizens are voting for president of the republic from between two candidates, current President Kiro Gligorov and Ljubisa Georgievski, candidate of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]. They also voted for 120 assembly deputies. In this latter, parliamentary race, there are 1760 candidates representing 36 parties, including the Democratic Party of Serbs. These are, therefore, elections as seen through figures.

At their news conferences, opposition parties, above all the Democratic Party and the VMRO-DPMNE, which will probably form a coalition for the second round, have most of the time and with a lot of passion addressed improper practices regarding the organization of the elections. They demanded that the elections be annulled or their plans to abandon the race. Even the official representative of the Electoral Commission has confirmed certain mistakes, although he added that, according to available reports, the regularity of the elections have not been called into question. So, for instance, invitations to the elections have not been presented to everybody, and ethnic Albanians, whose two parties decided to run at the elections, have tried to vote without the necessary documents at several polling stations. By the way, there are about 500 foreign observers taking part in overseeing the elections, but they have not yet spoken publicly.

The assumption that Kiro Gligorov will receive more than 50 percent of votes appears to be getting the first real confirmations. The outcome of the parliamentary elections is much less certain, and a second round can be counted on. Nevertheless, the three-party coalition of the Alliance for Macedonia, the presidential candidate of which is Kiro Gligorov himself, is expected to garner the majority of seats.

Election Expectations Reviewed

AU1510175394 Belgrade Radio Beograd Network in
Serbo-Croatian 1400 GMT 15 Oct 94

[FBIS Translated Text] The first presidential elections and the second multiparty parliamentary elections are to be held in The Former Yugoslav Republic of Macedonia [FYROM] tomorrow. Here is a report from Skopje by Radio Yugoslavia correspondent Mitke Jakovlevski:

[Begin Jakovlevski recording] In the wake of a fierce election campaign, Macedonian citizens are now taking advantage of the 48-hour blackout to sort out impressions left by two presidential candidates, representatives of 38 parties, and 296 independent candidates. About 1,370,000 voters should elect 120 deputies of the Macedonian Assembly of the proposed 1,766 candidates.

Candidates for the president of the republic are the current president Kiro Gligorov and prominent theater director Ljubisa Georgievski. Gligorov was formally proposed by 47 deputies of the ruling coalition, while Georgievski was proposed by 31 VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] deputies, the greatest opposition party in the Assembly.

Many opinion polls and people with an insight into the Macedonian political scene give significant advantage to the current president. Thus, according to the opinion poll conducted by the Institute for Sociological, Political, and Legal Studies, more than 80 percent of voters will

vote for Gligorov, while something over 14 percent will place their trust in Georgievski.

All in all, according to everything, there is no uncertainty about the presidential race, so it is expected to conclude already in the first round. There is much more uncertainty about the second multiparty parliamentary elections in this former Yugoslav republic. Although 38 parties run the elections, absolute success is expected from the Alliance for Macedonia comprising the Social-Democratic Alliance of Macedonia, that is, the former Communists, Stojan Andov's Liberal Party, and the Socialist Party. Also expected to confirm their political strength are Ljupce Georgievski's VMRO-DPMNE and Petar Gosev's Democratic Party.

The strongest Albanian political party, the Party of Democratic Prosperity [PDP], whose leaders decided right before the blackout to call on their voters and supporters to vote, also expects seats in the Assembly. They had threatened to boycott the elections because about 140,000 Albanians were not given Macedonian citizenship and so, according to electoral law, will not be able to vote. The decision by the PDP leadership to nevertheless vote is interpreted among analysts in Skopje as a way of overcoming the problem. [end recording]

Gligorov Stresses Coexistence, Equal Rights

AU1610135194 Skopje NOVA MAKEDONIJA in
Macedonian 14 Oct 94 p 4

[Report by Z.P., E.S.: "Vote for European Macedonia"]

[FBIS Translated Excerpt] Yesterday the Alliance for Macedonia [The Former Yugoslav Republic of Macedonia] held its final election rally in Skopje before several thousand citizens. [passage omitted]

Kiro Popovski, president of the Socialist Party, was the first to take the floor. He expressed his belief in victory because, as he said, the Alliance parties remained shoulder to shoulder with the people until the very end. "We will win" he said, "because our people know the meaning of peace and a safe road without risk, experiments, divisions, and empty promises. This is our safe road to building a peaceful, democratic, and respected Macedonia." He also added that the three parties of the Alliance for Macedonia represent a symbol of association and unity for the construction of a sovereign, independent, and internationally recognized state. After that the president of the Socialist Party said that he was certain of victory because—"we are capable and we are ready to overcome all sanctions and blockades, all military and political pressure, nationalist euphoria, and we can secure peace and security in the nation under these circumstances." Popovski stated: "Today there are those who ask for change, and changes have begun with the members of the Alliance that initiated the history of building a sovereign, independent, and internationally recognized state—the Republic of Macedonia."

According to Stojan Andov, leader of the Liberal Party of Macedonia, the Alliance for Macedonia candidates are not angry and nervous people, they do not hate everything that has been achieved so far, they are not carried away by a pathological struggle for power, but they are people who have proved their mettle. Andov said that they are people who are ready to build. He then called on those present to vote for the Alliance for Macedonia.

Macedonia Is Not a Theater

Branko Crvenkovski, president of the Social Democratic Alliance [SDSM], then took the floor and his speech was followed by loud cheering. "I have never before been so proud of the Macedonian people as I am now," he said. He also stressed that he was proud of the dignity and responsibility of our people for the destiny of the state and its future. He also said that it was proved that even in this election period nobody could mislead and frighten the Macedonian people who have gone through so much and suffered so much sorrow, but also gained wisdom. "Macedonia is not a theater" he said, "and its citizens are not going to be the tragic hero of anybody's bloody performance." He also emphasized that the people are too honest to believe those who wave "clean hands" (Petar Gosev's Democratic Party slogan), when they have a dirty conscience. The SDSM president stressed in particular that the Alliance for Macedonia members were one with the people during the most difficult of times and emphasized his firm belief that even after the elections Macedonia would continue along the road of peace, stability, and economic development.

The appearance of presidential candidate Kiro Gligorov provoked great enthusiasm. He made a public appeal for support from the forces of peace, economic progress, and a future European Macedonia. He said that the famous history of the Macedonian people has been continually followed, as well as the accomplishments of Goce Delcev [Macedonian leader during Turkish Empire], the Ilinden [St. Ilhva's day, Macedonian Insurrection Day in 1903], the ASNOM [Anti-Fascist Alliance of National Liberation of Macedonia], as well as the independence and sovereignty of Macedonia. "We saw the collapse of the former Yugoslavia as a historic event; such a moment comes only once in history and must not be missed," he said. He also added that our famous ancestors' work and hopes for the international recognition of our nation had to be fulfilled. In his words, this was accomplished because all the Macedonian people and nationalities backed it. "The people knew that it was a time for unity in order to retain our national identity and create our own state." In his speech, the Alliance for Macedonia's presidential candidate recalled that our state was created peacefully, without war, and that we have laid the groundwork for joining the international community, where Macedonia's difficult history can be told.

Domestic Unrest—The Greatest Threat

"Although we have deep civilizing roots" Gligorov stressed, "we were the last to create our own state,

although there were so many ambitions and pretensions toward our state and people. We have also fulfilled another pledge of our ancestors, and that is domestic tranquillity, peace, and security in the country, coexistence of all who live in Macedonia—the majority Macedonian people and all the nationalities, but in a non-divided Macedonia." He also pointed out that there had been external and internal attempts to divide the Macedonian people and nationalities, and he said that domestic unrest presents the greatest threat to our nation because "such a situation would cause the countries that signed the Bucharest Agreement to gather again" and attempt to resolve the destiny of Macedonia. According to Gligorov, those people who say that this state is ours alone, and that all the other nationalities and citizens of this country who consider it their homeland are second-class citizens because they do not wish Macedonia well, are crazy.

"It is the responsibility of all of us to guarantee internal peace and stability, because then nobody from the outside can do us any harm," Gligorov said. According to him, the third pledge of our ancestors has also been fulfilled—to turn Macedonia toward Europe, because it has made a great contribution to world civilization.

"Macedonia was recognized as a democratic state by the Badinter Commission" Gligorov stated, "and the entire civilized world asked for it." According to Kiro Gligorov, our small country has given a lesson to all the Balkan states, some of whom are solving border and regional problems through war at the end of the 20th and the beginning of the 21st century, when Europe is opening all its borders. It must be everyone's home and Macedonia must occupy a respectable position in it. According to Gligorov, Macedonia is now at a crossroad, facing a historic moment—whether to pursue a policy of peace, democracy, and economic progress with these elections, or to return to Balkan darkness, or a dark alley replete with tests of strength, in which situation our nation would be despoiled by all those who have been dividing us throughout history.

Kiro Gligorov then spoke about the forces that are trying to destroy that which has been achieved so far. That is why he asked for support from the "architects of Macedonia, those who are the future of Macedonia." "Each individual, each family," he emphasized, "wants his own home and to know a good standard of living. Let us not allow the great and unique home of all Macedonians to be destroyed, no matter where they live in the world." He emphasized the support he had received over the past four years, during our nation's most difficult moments, and he also stressed the great importance of the Macedonian international policy that favors dialogue and friendship with all its neighbors, although they have all harmed us in the past. "We are looking at the future and we want the borders to be opened; friendship, relationships, economic, and cultural ties renewed, in order to make the Balkans a European milieu."

The Alliance for Macedonia's presidential candidate said that in this situation everybody must go to vote, he then said: "When you vote for me, do not leave me by myself, vote for the delegates of the Alliance for Macedonia, for a majority in parliament, and a strong government." "Macedonia will have to be built, although its construction has already begun under these difficult conditions, but that is why there will be a lot of work in parliament," Gligorov said. Gligorov expressed his belief that if a creative atmosphere is fostered in Macedonia, it will once again serve as an example of European behavior in the Balkans. Gligorov ended his speech by saying that Macedonia is everything we have and asked that each and every one of us demonstrate our readiness to give our all for Macedonia.

PDP President Promises 'Constitutive Nation'

*AU1510214994 Skopje NOVA MAKEDONIJA in
Macedonian 14 Oct 94 p 4*

[Report by Panta Djambazoski: "There Must Be Albanians in Parliament"]

[FBIS Translated Excerpt] The PDP [Party for Democratic Prosperity] held its election rally on the football grounds in "Cair" [Skopje]. [passage omitted]

There were ovations and applause when the leadership of the PDP headed by Abdurahman Aliti, president of the party, arrived. There were members of parliament, ministers, and candidates for parliament. [passage indistinct]

If you vote for the PDP, Aliti said, you vote for its program and for Albanians to become a constitutive nation. Political opponents think that Albanians will

vote against Albanians, and that is why they are having rallies of dependent and independent candidates, saying that they are defending the rights of the Albanians in conformity with the CSCE, but their goal, in Aliti's opinion, is simply to have a place within the power structure.

Aliti stressed that the PDP will no longer be distracted by its political opponents, and that history will reveal the truth. There are responsible tasks ahead of the PDP and that is why it is now necessary to have Albanians in the Macedonian parliament, represented by a big party that will assert their rights.

Aliti also commented briefly on the plans of some Macedonian national parties. He said that it had to do with their chauvinist and racist concepts, with forces that want to expel Albanians from these areas and form a state for Macedonian people only.

"I contend that nobody has the right to expel the citizens of this country from their ethnic territories. I can guarantee that not a single Albanian will be expelled. And if that happens, then it means that the PDP is nobody and nothing!"

The Macedonian people, now that they are free to vote, will not vote for such nationalist plans as are being offered by some political outsiders. The Macedonian people will vote for democracy, for democratic values that open doors to a democratic Europe. The efforts of the PDP, Aliti concluded, are dedicated to a democratic Macedonia, a nation for all its citizens, a nation of equal and free citizens. This, he said, can be accomplished with Albanian votes in favor of the Party for Democratic Prosperity.

Federal**Russian Ambassador Genadiy Shikin Recalled***AU1710115794 Belgrade NIN in Serbo-Croatian
14 Oct 94 p 26*

[A.C. attributed report: "Secret Connection"]

[FBIS Translated Text] Genadiy Shikin, Russian ambassador to the Federal Republic of Yugoslavia, has been recalled and will soon leave Belgrade.

The highest-ranking Russian diplomats are dissatisfied with his work because they believe him to be Milosevic's man and directly connected to the Braca Karic company, through which the communist opposition in Russia is financed.

Commentary Compares U.S. Policy in Iraq, Bosnia*AU1610174394 Belgrade Radio Beograd Network in Serbo-Croatian 1400 GMT 16 Oct 94*

[Todor Mirkovic military-political commentary]

[FBIS Translated Text] Iraqi troop movements and U.S. reactions to them are the latest major events in the international military-political field. These events pose two compelling questions to military analysts. The first is why Iraq moved its troops south at precisely this time, and the second is why the United States reacted the way it did. This also includes the question of how these events may affect the further development of the international military-political situation in general, and the clashes in Bosnia-Herzegovina in particular. Of course, all this should be viewed through the prism of relations between the great powers.

Reasons for Iraqi behavior are not difficult to establish. The fact that for years the country has been under a kind of siege, just as the FRY [Federal Republic of Yugoslavia] has been after all, has had very grave and extensive consequences on its internal development. In order to halt the further erosion of society and abate the people's suffering, Iraq tried to relieve its isolation first by sending demands to the UN Security Council for sanctions to be lifted, then by troop movements that were undertaken with a view to attracting the attention of the international public to the seriousness of the problem.

The U.S. reaction to Iraqi troop movements, however, is a result of a series of circumstances, some of which are pretty obvious. Apart from dissuading Iraq from a possible invasion of Kuwait, the United States also wanted to thereby demonstrate its military power and confirm its leading role in the world. Besides, President Clinton needed a strong and resolute demonstration of power such as this in order to win over the more militant-minded part of the U.S. public before the impending

congressional elections, and the Pentagon needed it in order to justify the still very heavy military spending.

This time, however, the United States was not met with the same international support it received four years ago. One cannot but notice that, while U.S. forces aboard ships and planes moved toward the Persian Gulf, Russia was pursuing a special diplomatic mission in the region and France expressed restraint and reservations regarding U.S. actions. As its contribution, Great Britain sent a military contingent of only 200 soldiers to the Gulf. Thus, if Iraq refrains from open provocations, the United States with its belligerence may easily be left alone. Its inclination to one, the Muslim, side in the Bosnia-Herzegovina conflict may also lead it to a certain loneliness. The latest experience learned from the Persian Gulf events and the thus far unsuccessful policy regarding the Bosnia-Herzegovina crisis, with reliance on bomb diplomacy, may present a sufficiently strong signal to the United States that one cannot solve complex international problems primarily by force and demonstrations of the power of world leadership.

Serbia**Health Minister Says Situation Improving***LD1410122694 Belgrade TANJUG in English 1118 GMT 14 Oct 94*

["Pool" item]

[FBIS Transcribed Text] Belgrade, Oct. 14 (TANJUG)—Serbian Health Minister Leposava Milicevic has said Yugoslavia is finding it easier to obtain permits for the import of medical supplies since the easing of the sanctions.

Milicevic said Thursday the government had received serious assurances that the U.N. sanctions committee would permit Yugoslavia to import oil for heating medical institutions.

The U.N. Security Council has suspended some of the sanctions imposed on the Yugoslav Federation of Serbia and Montenegro in May 1992.

Milicevic added that "the health institutions in Serbia at present have heating fuel enough for a month or two, and some have sufficient quantities to last them through the winter."

She said that the situation in the health sphere was improving by the month, with assurances that this trend would continue.

"Also, the situation with medical supplies is incomparably better than it was in the previous period, and shortages are possible only for short periods of time and only of some preparations," she said.

Montenegro

Commentary Views Mladic's Belgrade Visit

AU1410213894 Podgorica MONITOR in
Serbo-Croatian 7 Oct 94 pp 10-11

[Commentary by Vladimir Jovanovic: "General Mladic's Secret Mission"]

[FBIS Translated Text] Information to the effect that General [Ratko] Mladic paid a visit to Belgrade closely follows the news that U.S. Defense Secretary William Perry has announced the existence of reports implying that Serbia has continued to support the Serbs in Bosnia militarily. The affair is not harmless: Some 10 days ago, UN sources established that there is evidence of massive overflights of both combat and transport helicopters from Serbia to eastern Bosnia. It seems that, parallel to this, more fuel and hardware was being transported around the central part of the Drina River at the time of the Bosnian offensive against Serbian positions around Konjic. The first wave of the Bosnian forces' attack was shattering, and there are now reports that a certain stabilization was achieved because the General Staff in Belgrade lent support to the Srpska republic army (the Herzegovina Corps).

Zoran Cicak, the man from the "generals' party," writes in INTERVJU that the [FRY] military leadership has, so far, not agreed publicly with Milosevic's policy of "isolation." He goes so far as to claim that "patriotic cells" are being formed within the Yugoslav Army. Something is cooking: In a commentary published in the 25 August issue of VOJSKA, the military leadership warned the state leadership that, as regards the financing of the army, things could not go on this way! VOJSKA's commentator makes an indicative comparison according to which 358.4755 million dinars of the Republic of Serbia's budget have been earmarked for the salaries and material expenditures of the Serbian police, while a mere 221.985 million dinars—a third less—have been allocated for salaries and other expenditures of the federal Defense Ministry (the Yugoslav Army, that is). "These figures require only one simple calculation, but it can yield a multitude of conclusions," writes VOJSKA.

The General Staff, therefore, does not have enough money and that is limiting its autonomy; Milosevic is giving them money "in installments," and is, in this way, binding them to himself and controlling them. In the military-strategic sense, the generals in Belgrade see the restoration of Bosnian sovereignty as a catastrophe and it is logical that they oppose the Contact Group plan that implies the survival of Bosnian enclaves along the Drina River. That is why one of the answers to the question of who was Gen. Mladic's "host" in Belgrade towards the end of this week should perhaps be sought in the dangerous connections of the Yugoslav Army generals with the headquarters in Pale, which is naturally directed against Milosevic.

Money "In Installments"

MONITOR's collocutor, who has reliable information, claims that Milosevic, in recent talks with Owen and Stoltenberg, asked for three months—he could in this period allegedly persuade the Bosnian Serbs to accept the Contact Group plan. How? According to the same source, Milosevic wants to orchestrate a change in the military and civilian leadership in Pale. Does this mean personnel changes or simply a change in attitude of the leadership in Pale? The question does not have a precise answer, but we should mention Radovan Karadzic's "mild" statement in JAVNOST—given towards the end of last week—that "the Srpska republic would agree to keep significantly less than 64 percent of the former Bosnia-Herzegovina, which is what the Serbian people are entitled to according to the land register."

Certain "personnel changes" have already taken place in Pale, but they were orchestrated by Karadzic. The head of the Srpska republic state security, a certain Mica Stanisic, was removed more than a month ago. Many people linked him to confidential people in Milosevic's environment.

Now the main question is what was the purpose of Gen. Mladic's visit to Belgrade and what was the nature of his (supposed) "high level" contacts? Did he perhaps speak to one of Milosevic's people or perhaps with the Serbian president himself? Nothing can be excluded. A progovernment commentator wrote in the 4 October issue of POLITIKA: "One of Gen. Ratko Mladic's rare statements confirms that Pale has started to think more pragmatically. The military commander of the Bosnian Serbs has proposed an agreement with the Croats and Muslims on the complete and final cessation of hostilities with the clear message that the Serbs are for peace. In addition to the fact that the leadership in Pale is in this way attempting to lessen its own political isolation, such statements imply readiness to compromise and negotiate."

This is the first time since 30 July that the local press—which reflects the stance of the official authorities—has placed Gen. Mladic within a positive context. If we bear in mind that, since the middle of June when, in the Novi Sad DNEVNIK, he rejected the Contact Group plan, Gen. Mladic has not made any statements pertaining to political issues, then there is reason for a multitude of conclusions.

Activating Knin

However, many observers agree that Vojislav Seselj's arrest and detention should now be viewed as the first serious testing of the ground regarding the stability of Milosevic's regime after the turnabout in the policy towards the Bosnian Serbs. In this sense, and in all versions, there appears the possibility of federal elections, with which Milosevic would allegedly strengthen his position after the "turnabout." The alleged plan is as follows: Milosevic is counting on victory (of the Socialist

Party of Serbia and the [Montenegrin ruling party] Democratic Party of Socialists) in the elections and a majority in the federal assembly, which has jurisdiction in issues pertaining to sovereignty—in this case, concretely that of Bosnia and Croatia. It seems that Knin is becoming important to the whole issue. Milosevic is "rocking" Knin, and two groups can already be discerned there—the one around Mikelic and Babic that has Belgrade's support, and the one around the confused Martic who has trouble understanding what is going on and whose group is doomed. The competition for the governor of the Knin-Glina county is on! MONITOR's collocutor says that Babic [a dentist by profession] has never in his life "seen a bad tooth," and that he is used to having a cabinet, an official car, and a secretary. At one point, he got burned by opposing Milosevic (the Vance plan) and learned that Knin can be ruled only if Belgrade covers your back....

The reasoning is simple and logical. Both of the western Serbian para-states lack an economy, the only things that functions are the army and gangs. There is no plundering, the loathed enemy has armed and organized himself, and the "Serbian cause" is falling apart. At the same time, Pale has declared a customs war on Knin (with the intention of pressuring the "pro-Belgrade" government of Mikelic and Babic, who is the so-called foreign minister), while Knin has banned the relocations of firms from Banja Luka to Knin in order to outmaneuver the embargo on the Drina River.

A Conflict of Concepts

All the events across the Drina River, however, are the result of the conflict of concepts attributed to two key Serbs: Milosevic and Mladic. It seems that the first has given up on his war goals, which are opposed by the military nucleus (sometimes called the "war lobby") around Mladic. At the beginning of April 1994, there was a rumor that Mladic and Karadzic had clashed, that Karadzic allegedly agreed with Milosevic's assessment that it was stupid to attack Gorazde, but that he went along with Mladic because of the strong influence he exerts and the support he enjoys in the ranks of the Srpska republic army. However, since the mysterious Gen. Mladic is economical with his statements, there is no evidence from which one could reach definite conclusions. In the course of an informal conversation, Seselj claimed that Milosevic had attempted to kill Karadzic during the revolt of a motorized brigade last year! One does not need to believe these words, but it is known that Gen. Mladic never commented publicly on the revolt.

Gen. Mladic could only have done two things in Belgrade: He could have inquired about the salary of the future chief of the General Staff of the Yugoslav Army, or he could have been plotting against Milosevic. He has, after all, already seen himself in the history books, he even gave a watch with his name engraved on it to the museum of the Serbian Church (is he perhaps playing

Gen. Mistic?) [Vojvoda Mistic—legendary Serbian military commander in the Balkan wars]. However, it has never happened that two Serbs would go down in history as "heroes." One usually destroys the other.

[Box, p 11]

Security

Everything is open now, so we have to see who is in charge of Gen. Mladic's safety. In addition to the usual "escorts" composed of a group of military and civilian policeman, the Protection Regiment [Zastitni puk] and the 1st Guard Brigade [Prva gardijska brigada] are in the vicinity of the Serbian chief commander. The commander of the Protection Regiment is a certain Milomir Savcic, formerly a member of the Yugoslav People's Army subversion units from Topcider, who gained some combat experience towards the end of the nineties [as published] in Kosovo. This brigade has always participated in battles in which Gen. Mladic got media exposure (the battle for enclaves in eastern Bosnia) as well as this spring near Gorazde. It is claimed that the best part of the regiment is its 5th company. They sing: "You Turks [Serbian pejorative term for the Bosnian Muslims] will see what real trouble is when the Protection Regiment advances!"

Colonel Milenko Lazic is the commander of the 1st Guard Brigade of the Srpska republic army. The previous commander, Major Dusan Celic, was taken prisoner during the attack on Srebrenica by the Bosnian Army's special units under the command of Naser Oric (previously S. Milosevic's bodyguard). The SRPSKA VOJSKA issue of 8 July wrote: "When the members of the Guard drew up a document and submitted it to Gen. Mladic asking for equipment, technology, and cadres, they received a clear answer, which they follow to this very day: 'Officers of the Guard, you are right, I agree with all your demands, but all that I can offer you is the enemy. You have the Turkish enemy—take him!'"

Fuel Obtained To Complete Autumn Sowing

LD1710093494 Belgrade TANJUG Domestic Service in Serbo-Croatian 0123 GMT 17 Oct 94

[FBIS Transcribed Excerpt] Podgorica, 17 Oct (TANJUG)—Enough fuel has been obtained to complete autumn sowing in Montenegro. Initially, 30 liters of diesel per hectare will be distributed to each farmer.

The estimated 200,000 liters of fuel needed to complete this year's sowing has been supplied by the Ministry of Agriculture; the Ministry of Industry, Energy, and Mining; and Kotor-based Jugopetrol, a publicly owned fuel distribution enterprise. [passage omitted]

Kosovo

Police Raid LDK Office; 'About 20' Arrested

AU1510212794 Tirana TVSH Television Network in Albanian 1800 GMT 15 Oct 94

[Shaban Arifaj telephone report from Prishtina]

[FBIS Translated Text] [Announcer] Serbian violence and repression continue in Kosova. There are reports of new cases of raids, brutality, and arrests of Albanians. Albanian business owners are continuously plundered.

[Arifaj] At about 1300 today, Serbian police raided the headquarters of the Kosova Democratic Alliance [LDK] branch in Peje and arrested Niman Alimusaj, deputy chairman; Musa Rexha, secretary; and Tahir Demaj, member of the LDK branch presidency. It is reported that the police arrested about 20 Albanian citizens in the vicinity of LDK headquarters in Peje, as well as Ali Alaj, deputy chairman of the Albanian Christian Democratic Party of Kosova. For no reason at all, the arrested are being brutally victimized at the police station in Peje.

The Kosova Information Center reports that raids of Albanian homes continue under the pretext of searching for weapons. In addition to raids, Albanians are being violated in various ways. The police physically abused Osman and Qazim Loshi from Padalishta in Skenderaj, Abdulla Gajtazi from Godonica, and Zhemal Hajra from

Rakinice in this commune, and apprehended them for several hours at the police stations.

Dozens of citizens in Mitrovice and Peje have been attacked and have received summons to appear at police stations.

Repressive measures were recently intensified against Albanian schools also. Thus, a Serbian police contingent raided a building of the Economic High School Hasan Prishtina in Mitrovice. They threatened the pupils with execution if they find them holding classes again. This is the third time the police have broken into this school building. Xhevdet Berisha, principal of an elementary school in Tersenik, and a teacher, Xhemal Gashi, have been summoned to police stations.

The forays of Serbian inspectors continue with raids of private businesses in Mitrovice. Yesterday alone, goods and foreign currency amounting to over 12,000 German marks were misappropriated in this commune. Shops were closed to a number of the owners who refused to pay the fines.

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